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Daily Report

East Asia

FBIS-EAS-96-158
Wednesday
14 August 1996

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Daily Report

East Asia

FBIS-EAS-96-158

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Japan

Japan: Okinawa Rejects Hashimoto's Order on U.S. Base Land Use

OW1408024696 Tokyo KYODO in English
0235 GMT 14 Aug 96

[FBIS Transcribed Text] Naha, Japan, Aug. 14 KYODO — The Okinawa Prefectural Government Wednesday rejected Prime Minister Ryutaro Hashimoto's order that it take action to renew land leases for the U.S. military.

The premier is expected to file a lawsuit to force Okinawa Gov. Masahide Ota to comply with the order to take procedures necessary for forced rental of land inside Kadena Air Base and 10 other U.S. military bases in the southwestern island prefecture.

Hashimoto gave the order under the Local Autonomy Law.

The decision against the compulsory land lease contracts, which will expire in May next year, was taken at a meeting of top prefectural officials that was convened by Okinawa Vice Gov. Masanori Yoshimoto. Ota is now on a trip to Peru, prefectural government officials said.

The central government has ordered Ota to act as proxy for the mayors of municipalities where the 11 bases are located after their refusal to put on public display papers required for expropriating the land plots.

Some 3,000 people own a total of 129,000 square meters of land on U.S. bases throughout the prefecture, which is some 1,600 kilometers southwest of Tokyo.

Ota has been ordered by a high court to serve as a proxy to sign forced lease contracts for facilities elsewhere on the island.

The Supreme Court will hand down a ruling on the first proxy case Aug. 28, which has been a focus of the constitutionality of forced leasing of private land for U.S. military facilities in Japan.

The prefectural government officials cited the need to await the Supreme Court ruling as the reason for rejecting Hashimoto's order this time.

Although Tokyo and Washington struck a deal in April to reduce the U.S. military presence in Okinawa Prefecture, the central government has yet to present any satisfactory plans to carry it out, the local government officials said.

One of the issues at stake, the officials said, is a plan to relocate a U.S. military heliport from the U.S. Futenma Air Station to somewhere within the prefecture.

This will not substantially change the situation in which about three-fourths of all Japanese land for U.S. military use is concentrated in Okinawa, which accounts for only 0.6 percent of Japan's total land area, they said.

Japan: Kajiyama To Form Panel on Okinawa Development Programs

OW1408104196 Tokyo MAINICHI SHIMBUN
in Japanese 14 Aug 96 Morning Edition p 3

[FBIS Translated Text] On 13 August, Chief Cabinet Secretary Seiroku Kajiyama decided to found the "Okinawa Forum" (tentative name) as his personal advisory panel to study development programs for Okinawan cities adjoining U.S. military bases.

The forum will be organized by private-sector intellectuals, such as international affairs consultant Yukio Okamoto (former director of the Foreign Ministry's First North America Division), and officials from the Okinawa prefectural government. The members are expected to promote discussions to pave the way for break the deadlock over the negotiations on consolidation and reduction of U.S. bases in Okinawa.

Japan: Article on Hashimoto Moves for SOFA Review

OW1408065596 Tokyo MAINICHI SHIMBUN
in Japanese 6 Aug 96 Morning Edition pp 1-2

[First in the series "The Depths of 'Futenma' — the 'Redefinition' of the Japan-U.S. Security Treaty"; this installment entitled "The Prime Minister Moves To Review the SOFA" by the MAINICHI SHIMBUN's Okinawa issue study group; the first paragraph is the series' introduction]

[FBIS Translated Text] Prime Minister Ryutaro Hashimoto is about to move to review the "Japan-U.S. Status of Forces Agreement [SOFA]" regarding the U.S. forces in Japan, which has been regarded as humiliation for the Okinawa people. This is because, the Okinawan people have expressed strong distrust in the national government's handling of the relocation of the U.S. Marine Corps Air Station [MCAS] Futenma to other places in Okinawa — it was widely known that an agreement on the MCAS Futenma return was brought by the prime minister's strong executive ability and the U.S. side's decisive judgment. The pain and indignation of the Okinawa people in the wake of the rape of a local schoolgirl in September, 1995 has stirred up the two major pending issues, which the two governments have left untouched for a long time without any action. We verify the depths of the "security and Okinawa" issue.

Kenjiro Nishida, chairman of the coalition-leading Liberal Democratic Party's [LDP] Okinawa Prefecture Federation [OPF], OPF Secretary General Takayoshi Iramina, and other members, who were visiting Tokyo with a "secret plan" in mind, had lunch with Hashimoto at the prime minister's official residence on 30 July. Nishida said: "If the situation goes unchanged and the voices of the Okinawa people are not conveyed to the national government, we will face the second or third 'measure on Ryukyu' [ryukyu shobun]." Nishida went on, explaining the national government's "measure on Ryukyu," under which the government of the Meiji era sent the army to the Ryukyu Dynasty [Okinawa] in the late 19th century to annex the dynasty regardless of the local residents' intentions. He said: "To achieve a result which is well understood by the Okinawan people, you need to review the SOFA."

In November, 1995, the Okinawa prefectural government presented to the national government the 10-point request concerning the SOFA review. Among the review requests are: Article 17 of the SOFA regarding the revision of Japan's judicial authority; the Japanese government provision of appropriate compensation to victims of crimes committed by U.S. soldiers; and the national government hearing opinions on the management of U.S. military bases from local governments concerned. It is certain that the majority will vote in favor of the SOFA review at the prefectural referendum set for 8 September. Therefore, Nishida asked the national government to demonstrate a positive attitude toward the review prior to the referendum.

After a pause, Hashimoto replied: "I also think we have to do something with the issue." This is the first time that the highest official in the Japanese administration revealed a determination to tackle the base issue in light of the SOFA review.

Even after the schoolgirl rape case last fall, the government has not been aggressive about changing the substance of the SOFA. It is said that beginning the review of the SOFA is like "opening Pandora's box." However, for the Okinawan people, the SOFA is a "ringleader," which has forced them to bear the burden of U.S. military bases. The national government and the LDP have at last begun to realize that it is politically difficult to continue ignoring the voices of the Okinawan people after the prefectural referendum.

Officials of the LDP's OPF observe that a meeting between LDP Secretary General Koichi Kato, who will visit Okinawa on 23 August, and Okinawa Governor Masahide Ota will be a major turning point in the Okinawa bases issue. They say that the secretary general "will bring a big present." While the return of MCAS

Futenma has come to a deadlock, various strategies have begun to be pursued behind the scenes to provide a breakthrough. The Prime Minister's Official Residence Is Worried About the Forthcoming Prefectural Referendum [subhead]

The prime minister met with Atsushi Shimokobe, chief of the Tokyo Maritime Research Institute [name as published], at the prime minister's official residence on 29 July, a day before he was to meet with Nishida and the others from Okinawa. Chief Cabinet Secretary Seiroku Kajiyama and Deputy Chief Cabinet Secretary Teijiro Furukawa were also present at the meeting. Hashimoto said to Shimokobe with an imploring expression on his face: "The 'time schedules' for the verdict at the Supreme Court (on 28 August) and the prefectural referendum have already been set. There is no time to lose. I feel desperate."

Shimokobe, who served as the parliamentary vice-minister of national land, has had a longtime relationship with the political circle. He had been busily engaged in working out reconstruction programs after the great Hanshin-Awaji earthquake as the chief of the Hanshin-Awaji reconstruction council from the last year through January this year. The prime minister's official residence has again persuaded Shimokobe to work for "Okinawa" this time.

Shimokobe has been deeply involved in Okinawan issues since before Okinawa was returned to Japan, and he enjoys wide-ranging connections with the Okinawan people, including Governor Ota. Kajiyama, who comes from Mito City as Shimokobe does, pleaded with him to become a mediator between the national government and the Okinawa Prefecture.

Shimokobe indicated an interest in Kajiyama's request, saying: "The Okinawa issue cannot be solved from the viewpoint that the government provides assistance to Okinawa because it feels pity for the Okinawan people who suffer from the burden of military bases." However, he gave no clear reply to the request to serve as a mediator. Hashimoto showed unwillingness to give up the request, and said: "Could you see me again around the time of my visit to Latin America (from 20 to 30 August)?" When Shimokobe left the prime minister's official residence, Kajiyama whispered to him: "Please do not think I have given up. You are the only one we can depend on."

The prime minister's official residence's recent strategy did not work as planned. The April Japan-U.S. agreement on the return of MCAS Futenma — which was evaluated as the Hashimoto administration's greatest achievement — was supposed to become a miracle hit to repair the relationship between the national and

prefectural governments in one fell swoop; a relationship which has developed into one of mutual distrust.

When the prime minister and U.S. Ambassador to Japan Walter Mondale announced the return of MCAS Futenma at a joint news conference on 12 April, the Okinawan governor frankly expressed his joy, saying that he "is so pleased." As for MCAS Futenma which covers the central part of Ginowan City, the mayor of Ginowan had repeatedly maintained: "The air station corresponds to the breast and belly of a human body. A man will die without the breast and belly." Thus, he had expressed the urgent need for the return of MCAS Futenma. Therefore, Tobaru also expressed his joy with the announcement on the MCAS Futenma return: "I appreciate that the prime minister and the ambassador made the decision. We welcome the decision from our hearts."

The Heliport Construction Plan Rubs the Okinawa People's Sentiments the Wrong Way — the "Ryukyu Independence" Arguments Emerge

The atmosphere in Okinawa has suddenly changed after the plan to construct a new runway came to the fore as a result of the plan to relocate the heliport of the U.S. Marine units stationed at MCAS Futenma to other places in Okinawa. Local residents have denounced the plan as "moving bases" [kichi korogashi] from one place to another in Okinawa. The MCAS Futenma relocation issue was destined result in deadlock from the beginning. The association of municipalities in the central part of Okinawa Prefecture chaired by Ginowan Mayor Tobaru issued a statement on 30 April, calling for the transfer of U.S. military bases to mainland Japan and the United States. On 16 July, the prefectural assembly also adopted a resolution opposing the relocation of MCAS Futenma to other places in Okinawa, which it says will reinforce the military base functions in the prefecture.

At present, Tobaru goes so far as to mention the "Ryukyu independence arguments," which have been locked up in the consciousness of the Okinawan people for a long time. He stated: "The burden of Okinawa cannot be reduced by moving U.S. bases from one place to another [tarai mawashi] in Okinawa. If the national government tries to impose the burden only on Okinawa, we will be forced to take ways to become independent as Ryukyu."

The prime minister's official residence expressed dissatisfaction with Governor Ota, saying: "We called the Governor (Masahide Ota of Okinawa Prefecture) to explain the agreement on the return of MCAS Futenma prior to the announcement, and the governor promised cooperation." When Ota refused to take procedures for

the public notification and circulation of notices for U.S. military land use despiⁿ the agreement on the return of MCAS Futenma, some officials concerned even asserted, in a flurry, that the "governor is a betrayer."

However, the governor refuted: "I had no idea about the implications of cooperation when I talked with the prime minister over the phone." Ota has maintained that "he did not understand that the return of MCAS Futenma was contingent on its relocation within the prefecture." This "misunderstanding," the impact of which is still felt, has widened the ravine of distrust between the two sides.

The relationship between the national and prefectural governments has cooled as if it has gone back to the time immediately after the rape case last fall. With the verdict at the Supreme Court and the prefectural referendum near at hand, the governor has indicated to a MAINICHI SHIMBUN reporter his stance of keeping silent, saying: "My comments might cause misunderstanding." Although the Hashimoto administration hopes to achieve a soft-landing of the MCAS Futenma issue by the end of August by spelling out new Okinawa development plans, the prefectural government reportedly "does not want it to be taken as bargaining." The channels between the prime minister and the governor remain closed.

Satoru Nakasone, secretary general of the coalition-partner Social Democratic Party's Okinawa Prefecture Headquarters, stated that the local residents expected the return of MCAS Futenma to "mean the reduction of 18,000 marines." Some national government officials point out the difficulty of obtaining the Okinawan people's understanding of the plan of relocating MCAS Futenma to other places in Okinawa while maintaining the base functions. A middle-ranking official of the Defense Agency said: "We also understood that it means the withdrawal of the marines."

Under this situation, a plan for integrating the functions of MCAS Futenma into the U.S. Air Force's Kadena Air Base [KAB], which possesses two 3,650-meter runways, is believed to present the possibility of obtaining the Okinawan people's understanding though this plan also means the relocation of MCAS Futenma within the prefecture.

"In my personal opinion, there is no other choice but to integrate MCAS Futenma into KAB if it has to be relocated to other facilities in Okinawa." House of Representatives member Matsusho Miyasato of the LDP — who is elected from Okinawa Prefecture and who visited Washington on 9 July, leading the delegation of the House of Representatives' special committee on Okinawa — said in a meeting with U.S.

Defense Undersecretary Walter Slocombe. House of Representatives member Muneo Suzuki of the LDP, who was also present at the meeting, went so far as to say that if a new heliport should be constructed in a place other than KAB, "all of the 1.2 million of Okinawan people will oppose it."

The National Government Fears "Another Case of the Naha Military Port"

However, Slocombe turned down the MCAS Futenma-KAB integration plan, saying: "Although I understand that it is important to minimize the prefectural people's burden, maintaining the military functions is also important."

Kurt Campbell, deputy assistant secretary of the Defense Department, who visited Japan in early August to attend a working-group meeting of the Japan-U.S. Special Action Committee on Okinawa (SACO), stated in a puzzled way at an informal meeting with ruling parties' members concerned: "Is this not a strategy of the Okinawan people to have the ruling parties propose the integration into KAB? Why are Camp Hansen or Camp Schwab undesirable?" The Hashimoto administration has been forced to face tough negotiations with both the local government and the U.S. military over a relocation site for MCAS Futenma.

The prime minister's official residence is irritated by the fact that the issue of the return of MCAS has not progressed as expected. Some officials at the prime minister's office have begun to say in despair that, if the relocation site and other issues are not solved within the target period of the next five to seven years, it means that MCAS "Futenma will not be returned," (as stated by a top government official). The Naha Military Port facility, on which the Japanese and U.S. Governments agreed to return in 1974, has been left untouched for as long as two decades because of the difficulty of deciding on an alternative site. In 1995, it was at last decided that the facility was to be relocated to the Urasoe area, however, there is no prospect for future developments because of the local government's opposition.

Seiji Maehara, a member the coalition-partner New Party Sakigake and also a member of the House of Representatives' Committee on Foreign Affairs, has stated that if the "situation remains unchanged, MCAS Futenma would become 'another case of Naha Military Port.'" Bureaucrats in charge of foreign affairs highly evaluated the prime minister's leadership in winning an agreement on the return of MCAS Futenma, saying that this is a rare "diplomatic achievement accomplished only every ten years." However, there is a danger that the MCAS Futenma return issue may drift out to sea, losing a political compass.

Japan: Article Reviews Turning Point of Base Issue
OW1408102496 Tokyo MAINICHI SHIMBUN
in Japanese 7 Aug 96 Morning Edition p 2

[Second in series "The Depths of 'Futenma' — 'Re-definition' of the Japan-U.S. Security Treaty" by the MAINICHI SHIMBUN Okinawa issue study group; this installment entitled: "Governor Gets Furious With Foreign Minister's Method of Dealing With Base Issues"]

[FBIS Translated Text] Surprisingly enough, sometimes a major historic event takes place quietly. Due to its nature, an incident which took place on the night of 4 September, 1995, in a northern town of Okinawa, was kept secret for a while. At that time, the people concerned were not taking a grave view of the incident.

The Okinawa Prefectural Police narrowed down suspects to three Marines. But on the strength of Article 17 of the Japan-U.S. Status of Forces Agreement [SOFA], the U.S. Forces in Japan [USFJ] refused to hand over the suspects to the Okinawa Prefectural Police. The article states that custody of an accused member of the USFJ "remains with the United States until he is charged." The public became aware of the incident only on 8 September when an evening edition of RYUKYU SHIMPO, a local paper, carried an article on the incident.

The fact is that a chief of the northern town informed the Ministry of Foreign Affairs' [MOFA] Japan-U.S. Security Treaty Division of the incident on 6 September, or two days after the incident. "A schoolgirl was attacked by U.S. soldiers." But "although we thought a troublesome incident occurred, we never expected that it would become a major issue like that," (according the same division). It seems that MOFA officials just thought that another incident involving U.S. soldiers was added to some 4,800 cases that have taken place since the reversion. The only thing they had in their minds was how they could end the November summit successfully.

Meanwhile, Okinawan people's cry for an early extradition of the U.S. soldiers to the Japanese police grew stronger everyday. On 19 September Governor Masahide Ota visited MOFA to call for a review of SOFA. He said: "The government stresses the importance of the security treaty. But the stronger the government stresses its importance, the more burden the people in Okinawa suffer." But then Foreign Minister Yohei Kono made a curt reply, saying: "SOFA is not an obstacle to the police investigations. It is too hasty to call for an immediate review of the argument." In a car on the way back from MOFA, the governor could not control his anger and reportedly said: "I have no choice but to refuse it." This was the moment when the gover-

nor made the final decision to refuse "proxy signing" of documents needed for the forced lease of land for U.S. military facilities, including Sobe Communications Site.

Kono later explained why he responded that way. He said: "A review of the treaty takes time and cannot be finished in time for dealing with the incident, which required an immediate response. I thought at that time that an improvement of the treaty's application was the most realistic way of dealing with the issue." Tokyo wanted to maintain and strengthen the Japan-U.S. security system. But Okinawa felt that the bottom line demand of the people, who shoulder heavy burdens, was rejected. The gap between both sides deepened decisively.

At that time, the U.S. forces in Okinawa wanted to invite Hillary, who was scheduled to come to Japan with President Clinton in November, to Okinawa. They came up with a proposal that a "friendly atmosphere will be created if she waves her hands to the prefectural people." However, this scheme failed because Assistant Secretary of States Rod rebuked the military, saying that it was an insensible idea. The Japanese Government was not alone in assuming an optimistic view.

On 21 October as many as 85,000 people attended the prefectural people's rally in Okinawa, saying: "We are resentful and distrustful of weak-kneed diplomacy." The pressure on the government reached its peak.

"Redefinition of the security treaty is in danger." Around this time, (then) Defense Agency [DA] Director General Seishiro Eto secretly sent a defense councilor to Washington. The vice minister explained Japan's view to Assistant Secretary of Defense Campbell, saying: "We have to make a full-fledged reduction of the military bases to maintain the security system. This will be in line with the U.S. interest, too." Mr. Campbell, who had a sense of growing crisis, agreed immediately. He even said that "we will become a servant in solving the problem."

A de facto decision was made to form a Japan-U.S. Special Action Council on Okinawa (SACO), which is composed of officials from the State and Defense Departments of the United States and MOFA and the DA of Japan. Japan and the United States began to seriously buckle down on the Okinawa issue.

At that time, Defense Councilor Takemasa Moriya reportedly had a hunch that "the incident involving the schoolgirl will change Japan's defense policies."

A movement to ease Okinawa's burden began in Japan, too. On 4 November, (then) Prime Minister Tomiichi Murayama had a luncheon meeting for nearly five hours

with Governor Ota, who refused to do the proxy signing, at the Prime Minister's Official Residence.

The prime minister listened attentively to the governor, who appealingly explained the tragic experiences of the Okinawan people during and after the war and sufferings caused by the military bases after the reversion. The prime minister said: "I always felt that the people in Okinawa had been living in vacant land between the military bases." As soon as he felt that the governor had an extraordinary determination, Murayama said: "I will never ask you to do the proxy signing. I will deal with it on the basis of the security treaty." Looking back the meeting, Murayama later said: "Even though I eventually had to go through the business routine, the most important thing at that time was to create a relationship of trust."

By using sincere words, the U.S. officials from the President down apologized for the barbaric act by the U.S. soldiers. At the same time, they understood that a situation in which people began to doubt the need of the security treaty had to be avoided by all means.

Former Assistant Secretary of Defense Armitage was making an inspection tour of the military bases by plane in Okinawa this spring, when Japan's call for return of the Marine Corps Air Station [MCAS] Futenma grew quickly. As his aircraft approached Futenma, he saw an airplane making a landing by skimming the housetops of crowded residential areas adjacent to the runway.

"The U.S. military will no longer be able to stay in Okinawa if a helicopter, following the rape incident, crashes in a housing area." He immediately contacted Secretary of Defense Perry. Secretary Perry, who was once stationed in Okinawa as a young Marine, clearly understood the dangerous situation at Futenma. "We have to relocate the base." The two men shared the same understanding. At this moment, a way for the return of the MCAS opened up.

Japan: Article Contrasts Okinawa, Sasebo Military Base Issues

*OW1408105196 Naha OKINAWA TIMES in Japanese
14 Aug 96 Morning Edition p 20*

[FBIS Translated Text] It will be exactly one month on 15 August since a woman was attacked in Sasebo city in Nagasaki Prefecture, the first case in which the revised Japan-U.S. Status of Forces Agreement [SOFA] has applied. Labor unions and other groups repeatedly held protest rallies, and the citizens of Sasebo are still saying in chorus that "we cannot possibly forgive" the worst crime of slashing a woman's throat by a U.S. sailor. Nevertheless, the citizens' anger has not developed into

a call for "withdrawal of the military base." This is quite different from the rape of a schoolgirl by U.S. soldiers in Okinawa, which triggered a major movement.

People concerned with base issues point out, among other things, that Sasebo has been used as a military port since before the war and that the military port is boosting the city's economy. They are also saying that "unlike Okinawa, which is suffering from aircraft noise, the pressure from the Sasebo military base may be different, too." Okinawan people's anger toward the rape by U.S. Marines made the governments of both countries review the application of SOFA, which was linked to handing over of the suspects to the Japanese side. At the same time, their anger also developed into a movement that questioned the presence of military bases.

Japan: LTCB Fined \$1 Million for U.S. Trading 'Irregularities'

OW1408095196 Tokyo KYODO in English
0930 GMT 14 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 14 KYODO — The Long-Term Credit Bank of Japan (LTCB) said Wednesday its U.S. subsidiary, LTCB Trust Co., has agreed to an order by U.S. banking authorities to pay \$1 million to the state of New York for irregularities at the local unit's securities lending operations on two occasions in 1994 and early 1995.

The irregularities involved securities purchases worth \$550 million which were not in compliance with internal trade rules, the LTCB said.

Specifically, a note maturing March 31, 1995, issued by the Federal National Mortgage Association, was purchased outright. This purchase was not in compliance with internal rules, which permitted the outright purchase only of direct obligations of the U.S. Government and other permitted investments.

In addition, a certificate of deposit issued by a major Japanese bank, also maturing March 31, 1995, was purchased outright.

Both of the transactions were misclassified by a trader, responsible for them, on internal trade notifications as purchases pursuant to reverse repurchase agreements, rather than as outright purchases.

LTCB Trust learned of the misclassifications in February 1995 and amended their internal daily reports to reflect the transactions properly, LTCB said.

In March 1995, however, a senior officer of the subsidiary had the internal daily reports changed back to their original inaccurate form, and those transactions

were reported inaccurately until the maturity of the securities.

LTCB said the subsidiary suspended its securities lending activities in December 1995. Under consent orders imposed by the New York State Banking Department and Federal Deposit Insurance Corp. (FDIC), LTCB Trust may not reenter the securities lending business without the prior permission of the New York State Superintendent of Banks and the FDIC.

LTCB also said the subsidiary and its New York branch have agreed to upgrade their internal auditing and control systems and to review management requirements.

Japan: Hashimoto Admits Tokyo's Moral Blame for Sexual Slavery

OW1408064896 Tokyo KYODO in English
0627 GMT 14 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 14 KYODO — Prime Minister Ryutaro Hashimoto has admitted Japan's moral blame for disgracing Asian women by forcing them into sexual slavery for the Japanese military before and during World War II, the top government spokesman said Wednesday.

Hashimoto made the admission in a letter of apology to be delivered Wednesday to former wartime sex slaves in the Philippines, together with a lump sum solatium from the Asian Women's Fund, Chief Cabinet Secretary Seiroku Kajiyama said.

In the letter, Hashimoto admitted to the former Japanese Imperial Army's involvement in the sexual slavery, while expressing his resolution to restore the reputation and dignity of the women, Kajiyama said at a press conference.

Kajiyama said the government will convey the contents of the letter later in the day to south Korea and Taiwan, where former sex slaves are opposing the privately funded solatium, demanding direct compensation from the Japanese Government. Payments to victims there are still pending.

The fund has decided to pay the money from private contributions to some 300 surviving sex slaves — 2 million yen each — in the Philippines, South Korea and Taiwan. The payment to Philippine women was set to begin Wednesday, a day before the 51st anniversary of Japan's surrender in the war.

Hashimoto said in the letter that he extends his heart-felt apology and remorse to all those who underwent many hardships and suffered mental and physical damage as so-called "comfort women."

Japan hurt many women's reputation and dignity under the name of the army, the premier said.

The Japanese ambassador to the Philippines will hand over the letter to four Philippine women during the day and carry out procedures for distributing the compensation, Kajiyama said.

Asked about the outlook for outstanding payments to those from South Korea and Taiwan, Kajiyama said Japan would try to expedite the payments.

Japan: Text of Hashimoto Letter to Former Wartime Sex Slaves

OW1408082496 Tokyo KYODO in English
0800 GMT 14 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 14 KYODO — Following is a provisional translation obtained by KYODO news of the text of Prime Minister Ryutaro Hashimoto's letter to former wartime sex slaves. Dear Madam,

On the occasion that the Asian Women's Fund, in cooperation with the government and the people of Japan, offers atonement from the Japanese people to the former wartime comfort women, I wish to express my personal feelings as well.

The issue of comfort women, with involvement of the Japanese military authorities at the time, was a grave affront to the honor and dignity of large numbers of women.

As prime minister of Japan, I thus extend anew my most sincere apologies and remorse to all the women who underwent immeasurable and painful experiences and suffered incurable physical and psychological wounds as comfort women.

We must not evade the weight of the past, nor should we evade our responsibilities for the future.

I believe that our country, painfully aware of its moral responsibility, with feelings of apology and remorse, should face up squarely to its past history and accurately convey it to future generations.

Furthermore, Japan also should take an active part in dealing with violence and other forms of injustice to the honor and dignity of women.

Finally, I pray from the bottom of my heart that each of you will find peace for the rest of your lives.

Respectfully yours,
Ryutaro Hashimoto
Prime Minister of Japan

Japan: Koreans Protest Sex Slave Fund Payments to Filipinas

OW1408091696 Tokyo KYODO in English
0849 GMT 14 Aug 96

[FBIS Transcribed Text] Seoul, Aug. 14 KYODO — Several hundred people, including women forced into sexual servitude by the Japanese military before and during World War II, on Wednesday protested against compensation payments from a private Japanese fund to former sex slaves in the Philippines.

The protesters, who have been staging demonstrations in front of the Japanese Embassy in Seoul every Wednesday since the Japanese Government initiated the Asian Women's Fund to compensate surviving sex slaves, reiterated that they were ardently opposed to private compensation payments.

"We would rather die than accept this deceptive national fund, because it is a measure aiming to circumvent the Japanese Government's legal responsibility," the protesters declared on a banner.

Organizers of the fund, which consists of private contributions from Japanese citizens, have decided to pay 2 million yen each to some 300 surviving sex slaves in the Philippines, South Korea and Taiwan.

Procedures for disbursing the money to several Philippine women who want to accept the compensation began Wednesday, a day before the 51st anniversary of Japan's surrender in the war.

Compensation payments to South Korean and Taiwanese women are still pending, since they continue to demand direct compensation from the Japanese Government.

Yi Hyo-chae, leader of a pressure group for Koreans who were drafted into so-called volunteer corps for the Japanese military during the war, decried the Philippine women's decision to accept money from the fund, but voiced understanding that the elderly and mostly poor women saw no other choice.

"Frankly speaking, I feel it's regrettable that disbursement procedures have started in the Philippines given that we have been fighting in solidarity all this time," Yi said.

She accused the Asian Women's Fund of deliberately trying to sow discord within the movement. "By pushing through acceptance of a one-time solatium (in the Philippines) they aim to split our movement. We definitely cannot allow this to happen," she said.

Yi's group issued a statement vowing to fight on until Japan pays official compensation and issues a formal apology.

Prime Minister Ryutaro Hashimoto has admitted Japan's moral responsibility for disgracing Asian women by forcing them into sexual slavery in a letter to be delivered to the Philippine women together with the lump sum solatium from the fund.

Chief Government Spokesman Seiroku Kajiyama said earlier in the day that the content of the letter will also be conveyed to South Korea and Taiwan.

Japan: Seoul To Free 2 South Korean Residents of Japan

OW1308080796 Tokyo KYODO in English
0721 GMT 13 Aug 96

[FBIS Transcribed Text] Seoul, Aug. 13 KYODO — Two South Korean residents of Japan imprisoned in South Korea for espionage will be released Thursday by a special pardon granted on the 51st anniversary of national liberation from Japanese rule, the Justice Ministry said Tuesday.

Lee Hon-chi, 43, and Kim Tae-hong, 49, have been serving 20-year prison terms for their alleged involvement in an espionage ring.

The two are among 586 prisoners who will be set free by the special amnesty, the ministry said.

Lee, a resident of the port city of Kobe in western Japan, flew to South Korea in 1977 to work for a South Korean company and was arrested in October 1981 on suspicion of espionage.

Kim was admitted to South Korea's Yonsei University in 1978 and was arrested in September 1981 on suspicion of espionage.

Japan ruled the Korean peninsula from 1910 to 1945.

Tokyo Offers 976 Million Yen in Aid to Uganda

OW1308135096 Tokyo KYODO in English
1203 GMT 13 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 13 KYODO — Japan will grant up to 976 million yen to Uganda for a project to improve a vocational training school, the Foreign Ministry said Tuesday.

Officials of the two countries exchanged notes on the economic assistance in Kampala earlier in the day, the ministry said.

The money will be disbursed for a two-year period ending in March 1998 and will be used to improve

facilities of the Nakawa Vocational Training Institute and to purchase educational equipment for it.

The institute was established in 1970 with Japan's cooperation.

Japan: MacArthur: Pacifist Constitution Amendable 'At Any Time'

OW1308141096 Tokyo KYODO in English
1154 GMT 13 Aug 96

[FBIS Transcribed Text] Honolulu, Aug. 13 KYODO — Gen. Douglas MacArthur, the supreme commander of the occupation forces, told Japan's lower house speaker in 1947 that the newly enacted pacifist constitution could be amended at any time, the general's former interpreter said in a recent interview with KYODO news.

Japanese-American Kan Tagami, who served as MacArthur's interpreter at the allied powers' general headquarters, relayed a number of previously unknown episodes from the occupation period in his first-ever interview with the Japanese press.

Then House of Representatives Speaker Komakichi Matsuoka visited MacArthur in May 1947 after being elected speaker from the Social Democratic Party (SDP) and expressed concern that Japan would be defenseless in the event of a military conflict due to the constitution's war-renouncing Article 9, Tagami said.

MacArthur reportedly responded that Japan could amend the constitution at any time if it felt that was necessary, the 78-year-old retired U.S. Army major said.

The SDP later became the most ardent defender of Article 9, which renounces the use of force as a means of settling international disputes.

The Constitution reflected the policies of the allied occupation.

Constitutional amendments require a two-thirds majority vote by each house of the Diet and a majority vote in a national referendum.

Japan's third postwar premier, Shigeru Yoshida, who had come to power in October 1948, had frequent meetings with MacArthur, visiting the general headquarters every Tuesday, Tagami said.

Except for the first two encounters, which were conducted with Tagami as interpreter, the two men always conversed in English for about 60-90 minutes each time with no one else present, he said.

Prime Minister Hitoshi Ashida, who formed a coalition cabinet in March 1948 after the first socialist Premier Testu Katayama's resignation, was also fluent in English, but always used Japanese in meetings with MacArthur, forcing Tagami to interpret.

MacArthur treated Ashida, known as an advocate of Japanese rearmament, rather coolly, apparently because he did not expect his government to last very long, Tagami said.

Ashida had to step down in October 1948 and was arrested the following month after just seven months in power when two cabinet members were arrested in connection with a large-scale bribery scandal.

One evening in October 1949 Tagami was granted a personal audience with Emperor Hirohito.

Upon arrival at the imperial palace the grandmaster of ceremonies told him to relax and to use ordinary conversational Japanese.

The emperor, who received Tagami in a room furnished with nothing but a round table and two chairs, urged him to continue to work as a go-between for the sake of Japanese-American friendship in the postwar period.

Tagami, who was born in California but spent part of his childhood in his parents' hometown of Kaita in Hiroshima Prefecture, was trained as a Japanese language expert for the U.S. Army's intelligence service.

While spying on the imperial Japanese Army's operations at the front line in Burma he also participated in combat.

When MacArthur was removed from command in April 1951 Tagami temporarily returned to the United States, but came back for a while to serve as counterintelligence officer at a U.S. military base in Kanagawa Prefecture, southwest of Tokyo.

Japan: Survey Shows Four LDP Ministers To Visit Yasukuni Shrine

*OW1008080796 Tokyo KYODO in English
0709 GMT 10 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 10 KYODO — Four cabinet members from the Liberal Democratic Party (LDP) plan to commemorate the day Japan surrendered in World War II by visiting Tokyo's Yasukuni shrine, dedicated to the spirits of military war dead, including convicted war criminals, according to a KYODO News survey.

The four cabinet members, who said they will make an Aug. 15 pilgrimage to the shrine, are International Trade and Industry Minister Shumpei Tsukahara, Defense Agency chief Hideo Usui, Transport Minister Yoshiyuki

Kamei, and Science and Technology Agency chief Hidenao Nakagawa.

All of the six cabinet ministers from the Social Democratic Party (SDP), on the other hand, said they will not visit the shrine on the day.

During the war, the shrine was a bastion of the militarist government-sponsored shintoism and is dedicated to the spirits of some 2.4 million people who died since 1853 in Japan's various wars.

On July 29, Prime Minister Ryutaro Hashimoto became the first Japanese prime minister to visit Yasukuni shrine since Yasuhiro Nakasone did so in 1985, drawing criticism from China and South Korea.

Some members of the LDP and the Japan War-Bereaved Association, which Hashimoto headed at one time, urged Hashimoto to visit the shrine Aug. 15. But Hashimoto said he chose to visit July 29 because it was his birthday.

Of his 20 cabinet members, only four LDP ministers told KYODO news that they plan to visit the shrine on the anniversary day.

Four other LDP ministers, including Chief Cabinet Secretary Seiroku Kajiyama and Foreign Minister Yukihiko Ikeda, said they will not make a visit on the day.

Home Affairs Minister Hiroyuki Kurata, Hokkaido-Okinawa Development Agencies chief Saburo Okabe, both from the LDP, and Justice Minister Ritsuko Nagao, who has no party affiliation, said they plan to worship at the shrine but have not decided the date of their visit.

Japan: NFP's Nishioka Interviewed on Election, Political Reform

*OW1308120296 Tokyo FNN Television Network
in Japanese 2322 GMT 10 Aug 96*

[Interview with Takeo Nishioka, new secretary general of New Frontier Party, by Yuji Kuroiwa joined in by Takao Iwami, special editorial adviser of MAINICHI SHIMBUN, and Katsuhide Uekusa, chief economist at Nomura Research Institute; from "News 2001" program — live]

[FBIS Summary] First asked if the New Frontier Party's [NFP] recent personnel reshuffle indicates that the party expects a cabinet dissolution followed by a general election in the near future. Nishioka says: "Yesterday, a retired elder of the political world said that the time is up for the current administration. He said that it is like an expired political situation and I agree with him. The people are beginning to show an interest in the political situation, so I think the cabinet should be dissolved

immediately. I am not going to say 'when.' But it should be dissolved promptly."

Kuroiwa asks if the recent personnel reshuffle has mended the gap within the party between the Ozawa and Hata groups. Nishioka explains that both sides did some soul searching and agreed to work together to win the election.

On how the NFP plans to prepare for the general election, Nishioka says: "All parties have been chanting the prayer for political reform. I think that the biggest theme of the next general election is whether or not they will be able to show concrete menus for streamlining the government." "All members of the NFP agreed to work out concrete plans. There will be big pressure from outside the party and I think that our biggest task is to determine how detail the plans should be."

Asked if the NFP, after the reshuffle, will be able to eliminate the so-called politics by close associates and become a monolithic party. Nishioka says: "My task as secretary general is to have the party executives in various posts fulfill their roles. Also, another major role of secretary general is to unite the party."

Going back to the issue of political reform, which will be a point at issue at the forthcoming extraordinary Diet session, Kuroiwa asks how Nishioka plans to reform the political world. Nishioka says: "The NFP will announce concrete plans in early September. We already announced that we would reduce the number of lower house lawmakers. We will do the same thing for the upper house too. Although we have to have an election under the revised election system, I think we have to reduce the number of lawmakers. We will announce a proposal for it in early September. Another thing is the issue of Okinawa, which the government is neglecting. How long will the government continue to violate the law? The government should have taken some kind of legal measures when the previous ordinary Diet session was at its final stage."

Explaining the importance of policy debate before a general election, Uekusa asks when and what kind of concrete proposals the NFP will announce to reform the Ministry of Finance and the government's financial system. Nishioka simply says that they will be submitted in early September.

On privatization of the postal services, Nishioka says: "This is an issue the party will have to buckle down to. The party still has not made the final decision on this issue as yet."

The interview ends at 2346 GMT.

Japan: Possibility of Hatoyama-Funada New Party Evaluated

962B0099A Tokyo SEIKAI ORAI in Japanese Jun 96 pp 12-17

[Article by Hiroshi Kumada, political journalist: "Possibility of Hatoyama-Funada New Party"]

[FBIS Translated Text] *A new party initiative by Messrs Hatoyama and Funada has surfaced. Its actually coming to pass, however, will be complicated by various issues standing in the way. We probe the possibilities of the birth of a Hatoyama-Funada new party and see whether these movements toward a double realignment of the political arena are genuine.*

Hata Study Group was Underlying Current of New Party Initiative

A new current that appears likely to provoke a reorganization of the political arena has surfaced in the form of a Hatoyama-Funada new party initiative. New Party Sakigake representative secretary general Yukio Hatoyama and Shinshinto [New Frontier Party] acting General Council Chairman Hajime Funada have decided to raise the banner of a "New Conservative-Liberal New Party" as early as around the time of the next general election.

Because this new party initiative will fill the current political situation, which is in a siege state, with holes, there is an aim to create a sensation under the slogan of a generation change, but behind that is an awareness of the need to counter the conservative merger initiative that appears from time to time within the LDP [Liberal Democratic Party] and Shinshinto. Not a matter of a changing alignment of political parties, this is a movement that attempts to rally supporters on an individual politician basis that transcends parties and factions. There is no mistaking the fact that existing political parties (excluding the communist party) will be influenced to no small degree, and this initiative, which seems to have suddenly appeared, is creating an uproar in Nagatacho. The thing about the Hatoyama-Funada new party initiative that raised concerns in Nagatacho was an article in the morning addition of the Nikkei on 3 April that read Messrs Funada and Hatoyama Form New Party in Advance of General Election.

While it appears that this new party initiative surfaced abruptly, in fact, it had been an undercurrent for some time. In December of 1994, the Shinshinto was formed and the study group surrounding former Prime Minister Tsutomu Hata that was started immediately afterward became the groundwork. Even inside the Shinshinto Mr. Funada was regarded by youthful members as a leader

of the Hata group and the study group members spread to even include members of other parties. Mr. Hatoyama also participated in this and the ripples of the policy-based group exchange was spreading.

In the election for party leader of the Shinshinto held at the end of last year, Mr. Funada supported Mr. Hata, but the result was Mr. Hata's loss to Mr. Ichiro Ozawa, and since then there has been an increasing anti-Ozawa coloring. In particular, since the formation of the "Koshikai" that made former prime ministers Hata and Morihiro Hosokawa its representative sponsors, Mr. Funada has distanced himself from party leader Ozawa inside Shinshinto as Koshikai secretariat and a position of being antiexecutive has become evident.

It was Mr. Hatoyama who approached this Mr. Funada saying "let's do it together" followed by the discussion about the "Conservative-Liberal New Party" initiative.

On the same 3 April that this initiative was reported in the Nikkei, the morning edition of the YOMIURI SHIMBUN reported, "Hatoyama Brothers 'New Party' as Early as June With Mr. Funada and Mr. Kaieda and Social Democratic Party 'Soshikai' in Mind." This article introduced the content of a dialogue between New Party Sakigake representative secretary general Yukio Hatoyama and his brother, Shinshinto public relations planning committee chairman and former Education Minister Kunio Hatoyama, that was published in the May issue of "GEKKAN GENDAI."

In his dialogue with Kunio in the May issue of the GEKKAN GENDAI that went on sale on 5 April, Yukio advocated ideas that included the following: "In today's politics, there are those who clearly say that the LDP, the SDP and Shinshinto are mutual aid societies created for the purpose of protecting their own interests and to win elections. We must create a political body that can demonstrate its intention of not being there merely for self-protection."

Specifically, Mr. Hatoyama is saying that prior to the next general election, he will form a new party that rallies like-minded young Diet members, beginning with his most important partner Mr. Funada and including Health Minister Naoto Kan of Sakigake, members of the "Soshikai" (representative Nobuyuki Sekiyama), which is a group promoting a new party inside the Socialist Democratic Party as well as local parties, representative Banri Kaieda of the Citizen Action League, which is promoting the creation of citizen groups prior to the next general election.

On the third when the NIKKEI [NIHON KEIZAI SHIMBUN] reported "Hatoyama-Funada New Party" initiative, Mr. Funada stated, "We will absolutely not

fail, and we cannot go back," a clear admission that he was examining the creation of a new party with Mr. Hatoyama. Mr. Yukio Hatoyama also expressed the idea that "at the latest, things have to take shape some time this year," indicating a strong desire to form a new party.

Toning Down the Backlash From Both Shinshinto and Sakigake

Be that as it may, the general reception of this development inside Shinshinto and Sakigake, which are the homes of Mr. Funada and Mr. Yukio Hatoyama was cold. These two gentlemen must have been rather surprised by the magnitude of the reaction, which was, in effect, that any nails sticking up will be hammered back into place. They both are working to quell the situation and have ended up having to tone down their determination toward the new party formation initiative.

Mr. Funada, appearing at a Shinshinto executive council held on the fourth—the day after the new party initiative came to light—explained things with a denial, saying "that is absolutely not so." Despite the fact that he had even gone so far as to declare that "we cannot turn back," it is likely that his total denial of his agreement to form a new party with Mr. Hatoyama was that the magnitude of reaction within the party was quite unexpected.

There were even hard-line opinions expressed in the executive council requesting that he resign his position as acting executive council chairman, saying "you should make your own course of action clear." There were not a few voices of criticism of Mr. Funada's straying from the pack as "suicidal" by members of the "Koshikai," for which Mr. Funada works as secretary general.

Executives of Shinshinto tried to appear calm out of the desire to avoid as much as possible the creation of a fissure in the party, so party leader Ozawa pretended to let it go unnoticed, among other things. However, Executive Council Chairman Kozo Watanabe made it perfectly clear that "there is a limit to everything. You will have to take care not to do anything else that will upset the solidarity of the party." This could be said to characterize the true feeling of the party executives.

Meanwhile, compared to the calm stance taken by Shinshinto, the reaction inside the Sakigake was enough to create a deep rift. The one who took it the hardest was representative Masayoshi Takemura, who fiercely upbraided Mr. Hatoyama, saying "Neither you (Hatoyama) nor Mr. Funada is suited to 'deliberation.'" The criticism using the word "deliberation" could be viewed as equivalent to asserting that Mr. Hatoyama lacks the disposition of a politician.

"Deliberation" is an integral part of being a politician and for Mr. Takemura to characterize Messrs Hatoyama and Funada as being "not suited to deliberation" is tantamount to being branded. Summoned by Mr. Takemura and asked for an explanation of the new party formation issue, Mr. Hatoyama, while admitting to having gone forward with discussions with Mr. Funada, explained, saying "even though our policy ideologies are close, we are hardly in accord about new party formation." However, there is no doubting that the confrontational relationship between Mr. Takemura and Mr. Hatoyama became decisive.

The thing that emerges from the size of the reaction inside Shinshinto and Sakigake to the initiative for forming a "Hatoyama-Funada new party" is the naivete on the part of Mr. Hatoyama and Mr. Funada. If they were going to form a new party they should have been more thoroughgoing in their preparations. Even without thinking back to the formation of the New Liberal Club, they will not succeed in forming a new party if they do not even have the "deliberative powers" to secretly make full preparations under the surface.

In a newspaper interview, Mr. Hatoyama replied that "it was a situation that was akin to trying to extract a premature fetus in the first trimester or earlier by Caesarean section," and there is no doubt that he felt a heavy blow about having jumped the gun with the newspapers at a stage where discussions had not gotten very far toward forming the new party. Even so, it cannot be denied that there was a lack of prudence.

Mr. Yukio Hatoyama is the eldest son of the famed Hatoyama family line of politicians. His great-grandfather Kazuo was a lower house speaker; his grandfather Ichiro was prime minister; his father Ichiro was upper house member and foreign minister. In short Mr. Hatoyama is a fourth-generation Diet member. In addition, Mr. Funada's grandfather Naka was a lower house speaker and LDP vice president and his father Yuzuru was an upper house member and governor of Tochigi Prefecture, so he also hails from a famous family as a third-generation Diet member.

At present, there are second-generation Diet members swaggering around inside the Diet, but even among them the names "Hatoyama" and "Funada" are highly prestigious and as "brand name" politicians, both gentlemen are impeccable.

Both Mr. Hatoyama and Mr. Funada are fated to be compared to their family antecedents whenever the opportunity arises, which means their actions will be scrutinized all the more closely. Conversely, it could also be asserted that they are weak and easily taken in because of their being "greenhorns" who have never

experienced hardship. They do not want to be regarded as lacking nerve. This point is something that can be gathered from their naivete in their bid to form a new party.

However, this is not to suggest that the "Hatoyama-Funada new party" initiative is devoid of potential to become a reality. In the new special spring edition of the monthly periodical BUNGEI SHUNSHU titled "Political Journalists' Picks of Leaders in the 21st Century," Mr. Yukio Hatoyama came out on top, and coming in second by one vote was Mr. Funada. The new party initiative sought by both gentlemen who are looking to the future will have just that great an impact on Nagatacho.

While it is probably true that the new party initiative envisaged by these two men is, as Mr. Hatoyama put it, at the stage of being "hardly a premature fetus," there is ample possibility that expanding the interchange of individual politicians that transcends existing political parties will raze the boundaries that encase today's political parties.

A Sakigake Split Will Spark a De Facto Move to Abandon the "SDP-Sakigake New Party"

The signs of this have already appeared. The fact that formation of a "SDP-Sakigake new party" based on a convergence of the two parties of SDP leader Tomiichi Murayama and Sakigake representative Takemura has become difficult is one manifestation.

The aim of the formation of a "SDP-Sakigake new party" lies in the agreement of the expectation of the Sakigake of wanting to rely on labor union votes which are the support base of the SDP in the next general election that will be held upon the introduction of the single-seat constituency system and the SDP which is pressured to create a "third force" that was decided in the party convention. It is a strategy that gambled the survival of both the SDP and the Sakigake.

For Mr. Murayama, formation of a "SDP-Sakigake new party" is a line that was set forth by holding in check the arguments inside the party of early new party formation, and as party leader, he holds responsibility. Mr. Takemura has the expectation that if things go well he could become the leader of a new party and aspire to the "seat of prime minister" as the number three party leader who holds casting votes. It was for this reason that Mr. Takemura vigorously criticized Mr. Hatoyama's actions that were in opposition to the formation of a "SDP-Sakigake new party."

However, the "Hatoyama-Funada new party" initiative also shook the SDP, which was looking into a "SDP-Sakigake new party." As a result of deliberations

concerning the direction of new party creation by the SDP's "New Party Creation Promotion Subcommittee" (chaired by party leader Murayama) that opened on 5 April, it was agreed that "given the current situation, any joining with other parties, such as the New Party Sakigake, would be problematic." At that meeting, Diet member Mitsuharu Warashina who is permanent secretary in charge of new parties revealed the idea of abandoning new party formation for all intents and purposes, saying "It will be hard for the SDP and Sakigake to simply get together. We should turn our attention to the local parties."

The reason the SDP was compelled to make this decision is that the situation of discontinuity inside the Sakigake concerning new parties.

While on one hand Mr. Takemura and Mr. Hatoyama have a decidedly oppositional relationship concerning the new party line, deputy representative and Economic Planning Agency Director General Shusei Tanaka has created an administration reform study group with former Prime Minister Morihiro Hosokawa of Shinshinto and former Telecommunications and Posts Minister Junichiro Koizumi who is chairman of "Group New Century" composed of leading young LDP Diet members, indicating a course of action that differs from that of Mr. Hatoyama. Further, cooperation with the LDP is deepening, indicated by such events as seven members from the Sakigake including Policy Research Council chairman Kisaburo Tokai becoming members of the LDP's "Group New Century." Even with respect to the new party initiative of Mr. Hatoyama, movements have begun that seek Mr. Hatoyama's resignation as representative secretary general characterized by backlash from such Diet members as Mr. Hiroyuki Sonoda, who advocates new party formation after the general election.

The reason the new party line is at cross purposes inside the Sakigake is also a manifestation of representative Takemura's having remarkably lowered the centripetal force. One can take the view that a type of "separation from Takemura" has begun to occur and there is no way that Mr. Takemura can allow this situation to persist inside the Sakigake. Mr. Takemura, the "Balkan politician," is probably attempting a roll back. When that happens, it will probably stimulate a sudden double realignment of the political world simultaneous with a demonstration of whether the Sakigake can survive.

Double Realignment of Political World and a Battle Between the Conservative Merger vs. Generation Change Faction

Indispensable in viewing the tendencies of the "Hatoyama-Funada new party" initiative is the connection with the "conservative merger" that is smoldering

between the LDP and Shinshinto. This "conservative merger" was suddenly the focus of attention on the occasion of a meeting between Shinshinto leader Ichiro Ozawa and Prime Minister Ryutaro Hashimoto (LDP president) that was held on 19 March amid a picket strategy carried out by the Shinshinto and opposition between ruling and opposition parties surrounding housing loan companies (jusen) liquidation policy.

The fact that this Hashimoto-Ozawa conference was set up by Chief Cabinet Secretary Kajiyama who has long been said to be keeping a sharp eye out for a "conservative merger" served to further fuel speculation that the conference touched on the timing of dissolution of the lower house and secret promises and discussion aimed at a future "conservative merger."

The first hour and a half of this leadership meeting was conducted between only Mr. Hashimoto and Mr. Ozawa after which Mr. Kajiyama joined in the discussion. These three were members of the old Takeshita faction and it is not unreasonable at all for this to give rise to fears that their dialogue did not just stop with finding a way of breaking out of the situation of a Diet that is going nowhere, but extended even to the future double realignment of the political world. Although there may be differences in methodology between Mr. Hashimoto and Mr. Ozawa, they do stand on the common foundation of inheriting the traditional conservatism.

It is said that there was no advance notice of the Hashimoto-Ozawa meeting to the SDP and Sakigake, which have formed a coalition with the LDP. Even LDP Secretary General Koichi Kato, who is representative of generational change advocates, was left out in the cold. Although the question of whether Mr. Kajiyama meant anything by this is pure speculation, at least the axis of opposition between the "liberal new party" initiative and the veteran Diet members and proponents of the generation change has become more transparent.

Occasioned by the party leadership meeting, cautionary voices could even be heard from inside the LDP that "this is a revival of rule by the old-Takeshita faction, but there is probably little room for doubt about indications of a double realignment of the political arena that transcends party and faction boundaries creating a strong tendency toward new party formation initiative with Messrs Hatoyama and Funada.

The new party formation initiative envisaged by Messrs Hatoyama and Funada has as one of its aims the attempt at generational change and its main targets are Diet members who were born in the Showa 20 [1945] era. The idea of the new party is the "New Conservative-Liberal." It is clear that it is attempting to make the

"conservative merger," which is based on the traditional conservative foundation, the axis of opposition. If one had to choose, the general view has Mr. Funada as "neoconservative" and Mr. Hatoyama as "liberal," but it is said that there is already 70 to 80 percent agreement between the two in terms of policy.

Mr. Hatoyama's idea is, as touched upon earlier, a two-stage initiative in which around 20 people of like mind are gathered from the SDP, Sakigake, and Shinshinto prior to the next general election, form a new party, and after the election, attempt a convergence the party defectors including the LDP and solidify a "third force" consisting of about 60 members. Meanwhile, Mr. Funada is considering leaving the party and forming a new party after the general election, but the direction he aims for is in synch with Mr. Hatoyama. What these two aim for is to grasp a casting vote that will influence the political affairs as a third force that is neither the LDP nor Shinshinto.

Because the electoral system that was newly introduced in the lower house has proportional representation introduced into single seat constituencies, it is thought that, in contrast with a simple single-seat constituency system, it will be difficult for one party to control a lone majority. Messrs Hatoyama and Funada consider a coalition government likely after the general election and are thinking of participating in a coalition government as a third force.

As for the timing of new party formation, the contrasting element between Mr. Funada's and Mr. Hatoyama's thoughts is the situation inside Shinshinto. In one speech, Mr. Funada said, "The election preparations for the single-seat constituencies are firming up. It would be quite adventurous to leave Shinshinto prior to the general election. From the standpoint of the psychology of candidates waiting for the election, it would be difficult." In this respect, in contrast with the Sakigake which is behind in preparations for the general elections, Shinshinto is already firming up its preparations and Mr. Funada is thinking about new party formation hinging upon Shinshinto in addition to making the judgment that it will be hard to rally like-minded people and leave the party prior to the general election.

Since the "Hatoyama-Funada new party" initiative came to light, the reason Mr. Funada's statements became cautious is probably due to the judgment that if things are advanced in too rash a manner, he would be pressed by the Ozawa executives to leave the party. For Mr. Funada, if he hastened to leave the party prior to the general election there is no reason to expect that many sympathizers would exit Shinshinto and he could end up

being alone; therefore, he was forced to become more cautious.

Mr. Funada envisions formation of a new party that revolves around a group called "Koshikai" that distances itself from party leader Ozawa inside Shinshinto. "Koshikai" members currently number 69 and it is Mr. Funada's fundamental strategy to make new party formation central. However, at present, those sympathetic with Mr. Funada among "Koshikai" members are only 10-odd young Diet members from the former Japan New Party, the former Liberal League, etc. The present task for Mr. Funada is to endeavor to achieve solidarity of the "Koshikai" and increase the number of sympathizers.

Also, Mr. Funada is thinking that Mr. Hata's power will be necessary in the formation of his new party, but Mr. Hatoyama, who is firm in his fundamental stance of generational change, is not necessarily indicating his understanding concerning cooperation with this Mr. Hata. So another focus of attention in the future will be whether the new party initiative will end up drawing in Mr. Hata, who has experience as prime minister.

Mr. Hata himself is viewed as possessing a strong desire for new party formation with Messrs Funada and Hatoyama as he solidifies what is approaching a consuming grudge with respect to party leader Ozawa since Shinshinto party leader election at the end of last year.

Be that as it may, Mr. Hata at present has assumed a stance of avoiding rough-and-ready methods and Mr. Funada is not in a position to make any rash moves.

Compared to Mr. Funada, Mr. Hatoyama has less encumbrances and his words and actions toward new party formation are also more aggressive. If Mr. Hatoyama were to go ahead and leave the Sakigake prior to the general election, and if he were able to have confidence that a large flow toward new party formation would occur, he is ready to leave the party alone. As a basis for that he is thinking about revealing a clear policy that aims for a new party prior to the general election. He has already commenced preparation for establishing a think tank that would be under direct control of the new party.

From the standpoint of making a "Hatoyama-Funada new party" become a firm reality as a third force, one thing that will become key is whether or not a new party boom along the lines of the former Japan New Party can be achieved. However, at present it is not possible to tell about that. What is clear is that Messrs Hatoyama and Funada are trying to play a role of catalyst for a double realignment of the political arena. The question

is whether or not it will be possible right now for Messrs Hatoyama and Funada to move their "two man show" of "Neoconservative Liberal New Party" onto the big time stage of "Nagatacho politics." That will also be a battle of generational change that pits young Diet members against veteran Diet members who plan a "conservative merger."

Japan: JAPIA Surveys Japan's Auto Parts Industry
OW1108060196 Tokyo NIHON NO JIDOSHA BUHIN
KOGYO in Japanese 30 May 96 pp 11-25

[Article by the Japan Auto Parts Industrial Association Administrative Department; originally titled "Industrial Trends in Auto Parts Industry"; article part of the 1996 edition of the Japanese auto parts industry almanac produced by the Japan Auto Parts Industrial Association and Auto Trade Journal Co., Inc.]

[FBIS Translated Text]1. General Situation

The domestic production of automobiles in 1995 was slightly below 10.2 million vehicles, a decrease of 3.4 percent from 1994. This was due to the expansion of overseas production by Japanese manufacturers and the rapid rise in the yen's value in the first half of the year. This was the fifth year of continuous decrease, although domestic sales of new automobiles showed an increase of 5.2 percent over 1994.

The domestic production of 2-wheel vehicles in 1995 recovered after two successive years of decrease, increasing by 1 percent from 1994, but the strength of the recovery was still weak.

In this situation, the production of auto parts in 1995 decreased by 1.9 percent from 1994, the third successive year of decrease, according to the value-based data in the machinery statistics of the Ministry of International Trade and Industry (MITI) (total of 66 auto parts items). Corporate profits also decreased due to the decrease in the amount sold and the need for cost reduction. This decrease in profits has become hard to be absorbed even with rationalization efforts for cost reduction and the situation in FY1995 is expected to be very severe with decreases in both earnings and profits.

In FY1996, the economy is expected to recover centering on plant and equipment investments, though it may be a slow recovery and not so powerful. As replacement demand is also expected to rise, domestic automobile demand in FY1996 is expected to be rather bright, with an estimated increase of 2.5 percent from FY1995. However, we cannot be so optimistic with regard to domestic automobile production, considering the facts that people in general still feel that the prospects of the economy are unclear, that automobile manufac-

turers are still accelerating the shifting of production to other countries and expanding local-content rate, and that the share of imported automobiles is still tending to increase. As a result, it is expected that the severe economic environment will not change in FY1996 for the auto parts industry. This may make it necessary to continue the rationalization efforts for cost reduction and to take suitable measures against structural problems in order to avoid the hollowing out of domestic industry by maintaining domestic employment in a condition where the production of domestic parts cannot be expected to grow in the medium or long term.

On the other hand, looking at international trends, the world's automobile industry is showing a clear polarization trend, with which the advanced markets in Japan, United States, and Europe become mature while Asian societies like those in China and the ASEAN countries are rapidly using more automobiles. In this situation, Japanese automobile manufacturers are attempting to further promote their global plans. Japanese parts manufacturers are also accelerating new overseas deployment to expand sales in growing markets, and major parts manufacturers are also turning themselves into multinational corporations.

The above trends make it more and more important for the auto parts industry to deal suitably with changes in the international parts demand-supply structure and to make efforts to achieve and maintain international competitiveness.

As the Japanese automobile and parts industries continue to become global, mutual dependence with automobile and parts industries in other countries is becoming more and more important. This makes it also important to promote international cooperation and mutual understanding with the automobile and parts industries in other countries, in order to facilitate smooth business relations with them.

The world's automobile industry is increasing its efforts to innovate production technology and develop highly functional products from the viewpoints of winning international competition and improving safety, environmental friendliness and riding comfort. Japanese auto parts manufacturers are also required to secure a constant production foundation which is not affected by changes in exchange rates and to make more R&D efforts to develop high-added-value products to avoid the hollowing out of the domestic industry.

2. Trends of Shipments of Auto Parts Industry

According to the FY1994 "Auto Parts Shipment Trend Survey" by the Japan Auto Parts Industrial Association

[JAPIA], auto parts shipments (including 2-wheel vehicle parts) were 13,591.3 billion yen, a decrease of 0.3 percent from 13,632.6 billion yen in FY1993. This was mainly the results of the 3.4 percent decrease in automobile production volume from FY1993 resulting from the stagnation in automobile sales due to Japan's economic stagnation, the rise in the yen's value and the shifting of automobile production overseas.

As for the details of the FY1994 auto parts shipments of 13,591.3 billion yen, 4-wheel vehicle parts shipments were 13,214.5 billion yen, a decrease of 0.3 percent from FY1993; 2-wheel vehicle parts shipments were 376.8 billion yen, a decrease of 1.0 percent from FY1993.

As for the details of 4-wheel vehicle parts for different purposes, assembly parts shipments were 10,296.7 billion yen (1.3 percent down from FY1993), repair parts shipments were 1,518.0 billion yen (2.0 percent up from FY1993) and parts manufacturer-oriented shipments were 1,399.8 billion yen (4.9 percent up from FY1993).

The reasons of the 1.0 percent decrease from FY1993 of 2-wheel vehicle parts shipments are seen as arising from the shifting of production overseas due to the rise in the value of the yen and to the stagnation of domestic demand.

3. Corporate Situation

According to the FY1994 "Auto Parts Shipments Trend Survey" by JAPIA, the business situation of the auto parts industry was as described below.

(1) Number of Companies and Parts Shipment Amount by Capital

Among the 474 companies answering the questionnaire, there were 172 companies with capital below 100 million yen, the largest group of companies, with a share of 36.3 percent. After this, there were 102 companies with capital over 100 million up to 500 million yen (21.5 percent). This means that there are 274 companies with no more than 500 million yen capital and they account for the majority of all companies at 57.8 percent. There were 65 (13.7 percent) companies with capital over 500 million up to 2 billion yen, and there were 135 (28.5 percent) big companies with capital over 2 billion yen.

In contrast to the above, statistics of shipments for companies in each capital range showed completely the opposite trend.

Namely, the shipments of the 89 companies with capital over 5 billion yen was 7,568.6 billion yen, 55.7 percent of total shipments. This was followed by 46 companies

with capital over 2 up to 5 billion yen who shipped 1,968.3 billion yen, or 14.5 percent, of the products. In short, the 135 biggest companies with capital over 2 billion yen (28.5 percent) shipped 9,536.9 billion yen, or 70.2 percent of all products.

(2) Shipment Amount by Employment Scale

The data on the shipment per employment scale shows that there are a large number of companies with a small number of employees and small amount of shipments. There were 226 small companies with up to 300 employees (with a total of 30,877 employees), accounting for 48 percent of all companies (8 percent of all employees in the industry) but their shipments were only 1,009.9 billion yen (7.4 percent of all shipments). There are 144 medium-size companies with over 300 up to 1,000 employees (with a total of 83,917 employees), accounting for 30.4 percent of all companies (21.8 percent of all employees), and their shipments were 2,901.4 billion yen (21.3 percent of all shipments). Finally, there were 104 big companies with over 1,000 employees (with a total of 269,776 employees) and they accounted for 21.9 percent of all companies (70.2 percent of all employees), and they had most shipments at 9,680.1 billion yen (71.2 percent of all shipments). This means that companies with most employees had greater shipments per employee.

(3) Shipment Amount by Shipment Scale

There were 26 companies which shipped more than 100 billion yen products, and their shipments accounted for 40.0 percent of all the shipments of the industry. With 42 companies which shipped over 50 billion up to 100 billion yen of products, their shipments accounted for 22.2 percent of shipments. With 232 companies which shipped up to 10 billion yen of products, their shipments accounted for only 6.8 percent of shipments. This means that the production of auto parts is concentrated in small number of companies that make large shipments.

(4) Degrees of Specialization of Auto Parts Companies

The data of the ratio of auto parts shipments as a percentage of total shipments (degree of specialization) of companies in the auto parts industry shows that auto parts shipments accounted for more than 90 percent of the company's sales in the majority of companies, that is, in 238 companies (52.5 percent). With auto parts specialized companies where auto parts shipments accounted for 50 percent or more of sales, auto parts shipments actually occupied a large percentage of 86.9 percent of their sales.

(5) Business Situation by Product Category

When the trends of shipment of each product category as defined in the "Auto Parts Shipment Trend Survey" are examined in terms of the number of companies, it can be seen that parts categories containing a larger number of items accounted for relatively large shipment amounts and the numbers of companies engaged in them were also large. However, with body parts which accounted for most shipments, there were larger number of companies in this category but the number of items was smaller than engine parts. This may be because the 11 items included in body parts are examined in a comprehensive way, by grouping each of the components such as accessories, trim items and press parts into a single group. In consequence, it is not possible here to make arguments that the concentration of production in each company is higher with body parts, and so on.

(6) Situation of Deliveries to Automobile Manufacturers

The "Auto Parts Shipment Trend Survey" surveyed the delivery situation to thirteen 4-wheel/2-wheel vehicle manufacturers by all member companies and obtained the following results.

The thirteen domestic 4-wheel/2-wheel vehicle manufacturers refer to the eleven 4-wheel vehicle manufacturers (including 2 companies which also produce 2-wheel vehicles) and two 2-wheel vehicle specialized manufacturers.

There are 95 companies which did not have any trade with automobile manufacturers; they seem to be in the domestic after market or specialize in exports. And there are 264 companies, or 56 percent of all companies, which conducted trade with 3 or more 4-wheel/2-wheel vehicle manufacturers. Meanwhile, all of the 7 big companies with shipments above 200 billion yen conducted trade with 5 or more automobile manufacturers (perhaps all of the 4-wheel vehicle manufacturers).

Trade with overseas automobile manufacturers was mostly small in scale. The comparison with FY1993 also shows that transactions of this kind are increasing among smaller-scale transactions.

4. Situation of Auto Parts Imports/Exports

According to the Ministry of Finance's customs clearance statistics of auto parts imports and exports, auto parts exports (including "auto parts and accessories" and "related parts" categories) in 1995 on the calendar year basis was 3,506.7 billion yen, an increase of 1.2 percent from 3,465.8 billion yen in 1994.

In spite of factors that limited exports such as trade friction with advanced countries, the domestic production projects of developing countries and political instability in the Middle East, exports in 1995 grew because of the increase in the demand for servicing parts resulting from the increase in parts exports for the local assembly of Japanese automobiles, the increase in the ownership of Japanese automobiles overseas, and the increase in demand by overseas manufacturers because of their improved evaluation of Japanese auto parts.

On the other hand, the import of auto parts in 1995 was 242.5 billion yen, an increase of 8.6 percent from 223.1 billion yen in 1994. This seems to be because of the rapid rise in the yen's value and the increase in overseas procurement, and the amount on a quantitative basis is also thought to have increased. This can also be seen from the 18.5 percent increase in imports on an U.S. dollar basis.

5. Trends of Plant Investments and Capital Procurement by Automobile Manufacturers

The MITI survey shows the following trends of plant investments and capital procurement of automobile manufacturers.

(1) Trend of Plant Investments

1) Plant investments in FY1994

Plant investments in FY1994 (installation work basis) were 209.4 billion yen (on a common basis from FY1994 to FY1995).

Plant investments by all companies in the auto parts industry were very cautious because production still stagnated due to the drop in automobile market demand. The investment targets were centered around production facilities, labor saving and rationalization as in FY1993.

2) FY1995 Plant Investment Plan

The plant investments in the modified plan for FY1995 (installation work basis) were 200.2 billion yen, slightly up from the original plan.

This is thought to reflect the brighter prospect of recovery of automobile demand.

In terms of invested items, investments were centered around production facilities and labor saving like in FY1994.

3) FY1996 Plant Investment Plan

The plant investments planned for FY1996 (installation work basis) were 117.6 billion yen, a decrease of 10.8

percent from FY1995 (on a common answer basis from FY1995 to FY1996).

This decrease seems to be because the prospects of the domestic economy and exchange rate were still unclear and an increase in automobile production cannot be expected. The planned investments were characterized by an increase in investments in production facilities.

(2) Trend of Long-Term Capital Procurement and Operations

The long-term capital procurement planned for FY1995 decreased from FY1994. A large majority of the procurement was dependent on the companies' own funds, and corporate bonds and borrowings were to be redeemed or repaid. For the operations of capital, a large majority was assigned for plant investment like in FY1994.

The long-term capital procurement planned for FY1996 still tended to decrease. This is because the plant investments planned for FY1996 were very cautious. The companies were still attempting to limit plant investments to using their own funds.

6. Trends of Management of Auto Parts Industry in FY1994 and the First Term of FY1995

Situation of Account Settlements in FY1994 (72 companies) and the First Term of FY1995 (77 companies)

(1) Summary of FY1996 Settlements

JAPIA calculated and analyzed the trends of management in FY1994 of the 72 auto parts specialized companies which are listed in stock exchanges and with which the ratio of auto parts sales occupied 50 percent or more of their business (14 percent of the 501 regular member companies) based on their account settlement summary reports.

The settlement situation was improved compared to FY1993. The increase in profits in spite of the decrease in sales seems to be the result of thorough rationalization efforts and the decrease in depreciation expenses thanks to the continuing decrease in plant investments in past years. The profit increase rate was high because the previous FY1993 accounts showed a very severe drop, but the profit amount itself remained almost the same as in FY1991.

Sales were 7,136.1 billion yen, a decrease of 0.1 percent from FY1993.

This was because automobile production stagnated due to the rapid rise in the value of the yen and decrease in exports following the progress of shifting production

overseas, even though domestic automobile sales exceeded the previous year after 4 years of decrease. This sales amount was still too little, 8.1 percent lower than in FY1991. The operating profit was 260.8 billion yen, and the operating profit as a ratio of sales recovered to 3.7 percent from 2.3 percent in FY1993.

This was the results of the decrease of depreciation expenses due to reduced plant investments as well as the rationalization activities of all companies which reduced costs and expenses by improving production efficiency and reducing materials and processing expenses. Nevertheless, in fact, the situation continues to be very severely tormented by profit-reducing factors such as the drop in sale prices in response to the requirements of customers to reduce costs, automobile production stagnation and the loss from changes in the exchange rate.

The ordinary income was 247.1 billion yen and the ordinary income as a ratio of sales was 3.5 percent in FY1994 while it was 2.3 percent in FY1993.

The net income at the end of term was 115.8 billion yen and the net income as a ratio of sales was 1.6 percent in FY1994 while it was 1.0 percent in FY1993.

As a result, the payout ratio changed from 63.0 percent in FY1993 to 47.0 percent in FY1994, and dividends increased with 17 companies and were the same with 45 companies while 6 companies continued to pay no dividends.

The 4 companies with auto parts sales ratio of 50 percent or more which were not covered by the survey included two companies newly entering the industry, one newly listed company and one company which has changed its settlement term. There were also two other companies which had changed their settlement term among the surveyed companies, and their data was calculated using the settlement summary reports for the first term.

Results of FY1996 Settlements of 72 Companies

(3) Summary of Settlements in First Term of FY1995 (77 Companies)

JAPIA calculated and analyzed the trends of management in the first term of FY1995 of the 72 auto parts specialized companies which are listed in stock exchanges and with which the ratio of auto parts sales occupied 50 percent or more of their business (15 percent of the 504 regular member companies, and the average auto parts sales ratio in the businesses of the 77 companies was 83.8 percent) based on their account settlement summary reports.

By adding 5 newly participating or listed companies, the number of companies covered by the survey increased to 77 from the previous 72.

Their total sales were 3,510.8 billion yen, a decrease of 0.7 percent from the same term in FY1994.

This was because automobile production stagnated due to the rapid rise in the value of the yen and the decrease in exports following the progress of shifting production overseas, in spite of domestic automobile sales exceeding the previous year mostly due to replacement demand.

The operating income was 102.9 billion yen, an increase of 7.8 percent from the first term of FY1994, and the operating income as a percentage of sales dropped from 3.2 percent in the first term of FY1994 to 2.9 percent in the first term of FY1995.

This means that, in spite of rationalization activities by all companies to deal with the decrease in sales and customers' requirements for rationalization and cost reduction by improving the production efficiency and reducing costs and expenses such as those of materials and processing costs, the decrease in profits did not recover. The ordinary income was 111.5 billion yen, an increase of 2.2 percent from the first term of FY1994, and the ordinary income as a percentage of sales increased from 3.1 percent in the first term of FY1994 to 3.2 percent in the first term of FY1995.

This was because of improvement in the non-operating income thanks to the reduction of interest paid following the recent drop in interest rates.

The net income at the end of term was 57.9 billion yen, an increase of 15.1 percent from the first term of FY1994, and the net income as a percentage of sales increased from 1.4 percent in the first term of FY1994 to 1.6 percent in the first term of FY1995.

As seen above, the mid-term account settlement situation in FY1995 was still severe due to the decrease in domestic automobile production. Particularly, the fact that the operating income again decreased from the previous fiscal year shows that the efforts to rationalize the auto parts industry was encountering a very severe situation.

The annual achievements estimated for FY1995 were severe and lower than in FY1994 for all items, because the prospects of the domestic economy were still unclear and the recovery of domestic automobile production could not be expected. Namely, the sales of the 77 companies were estimated to be 7,035.3 billion yen, a decrease of 3.2 percent from FY1994, the operating income estimate was 236.2 billion yen, a decrease of

7.2 percent from FY1994, the net income estimate was 117.6 billion yen, a decrease of 1.3 percent from FY1994. These figures were even worse than the modified figures which were lower than the estimates made in June, and this fact also indicates how severe the prospects are.

The actual calculated data of the mid-term account settlements in the first term of FY1995 of the 77 companies is as shown in the following tables.

Japan: JAPIA Chairman on Auto Parts Globalization

OW1108050996 Tokyo NIHON NO JIDOSHA EUHIN KOGYO in Japanese 30 May 96 pp 43-52

[Interview by unnamed editor with Shobei Hamada, Chairman, Japan Auto Parts Industrial Association; part of article originally titled "Interview Special Feature: Responses of Auto Parts Industry to Automobile Industry's Globalization, Purchasing Strategies of Automobile Manufacturers, in 1996 edition of the Japanese auto parts industry almanac produced by the Japan Auto Parts Industrial Association and Auto Trade Journal Co., Inc.]

[FBIS Translated Text] After experiencing unprecedented hardships caused by economic stagnation after the "bubble" economy and the yen's great strength, the Japanese automobile and auto parts industries have risen from the ashes like a phoenix.

An automobile manufacturer speaks highly of the competitiveness of the Japanese auto parts industry, saying "at least some companies are already listed in the world's top 10 companies in the field" and "70 to 80 percent of the companies are at world level in terms of parts per vehicle" (refer to the following interviews). Japan Auto Parts Industrial Association (JAPIA) Chairman Hamada also shows confidence saying "I think we can be proud of our international competitiveness".

The 1996 interviews reproduced below were conducted concerning the auto parts industry, which has recovered and become more competitive than ever, focusing on the purchasing strategies of automobile manufacturers who have started to seriously strengthen their worldwide strategy. We also thank the JAPIA chairman for his participation after a long absence.

FY96 Interview: JAPIA Policies, Measures Taken

How Should Auto Parts Industry Deal With Automobile Industry Globalization? Interview with

Shohei Hamada, Chairman, JAPIA (Chairman, NHK Spring Co., Ltd.), held on 29 February 1996.

Assuming Chairmanship at a Most Difficult Time

[Editor] The Japanese auto parts industry seems to be entering a new situation after the bitter experience of the collapse of the "bubble" economy. We would like to start the interview with your views on this. Also, as you are a chairman brought up in this industry after many others who came from outside (laughter), we expect interesting stories from you. We have heard that you are from the field of accounting.

[Hamada] I entered NHK Spring in 1948, 48 years ago, and I spent more time in administration than in accounting. I spent about 30 years in accounting, personnel, and planning. I have also worked in the sales and production departments. But my work there was also in the administration of sales and production.

[Editor] Forty-eight years means that you directly experienced the history of the automobile industry and auto parts industry after the war.

[Hamada] I developed along with the Japanese economy in the hard times from 1945 to 1960 and the high growth period following this, and I feel that Japan and the automobile industry have entered a very difficult era now. I feel that I was appointed JAPIA chairman at a most difficult time (laughter). The press has interviewed me about many things but I do not think I can tell you such interesting stories.

[Editor] One of the noticeable recent changes in the auto parts industry is that the product categories of part makers are not so clear as before. Business is becoming so intricate; we see press makers dealing with resin molding and electronic parts. Companies cannot be categorized according to their products, as was possible in the past.

"Escaping From Automobiles" Should Now Be Issue

[Hamada] NHK Spring manufactures springs, but it is not right to say that NHK Spring is a spring maker. Making use of the technology for manufacturing springs, we developed it and are now manufacturing many other things. We are always thinking how to free ourselves from the current status and develop in new directions.

About 15 years ago, when Mr. Fujioka (Mr. Seizo Fujioka, then President of NHK Spring Co., Ltd., and former JAPIA chairman) started talking about "escaping from automobiles", the press wrote that we were "abandoning cars." But what Fujioka meant

was not that we should separate ourselves from or stop dealing with automobiles but that though we should continue research into the advancing functions of automobiles, we should strengthen our structure and accumulate new technology in anticipation of the maturing of automobiles which would come one day. But the press wrote sensational articles, catching only the expression "escaping from automobiles," and I remember Mr. Fujioka was very angry at that time. At present, the percentage of auto parts in NHK Spring's total production is decreasing. This is not because we have become lazy (laughter). We do work hard with car parts inside as well as outside Japan but, in addition, we are also looking at how to participate in new markets other than automobiles. I believe such actions will be required for the auto parts industry in the future.

[Editor] There was a time when you talked about freeing yourself from automobiles several years ago. But, in reality, production started to rise immediately and you have been occupied with production without time to think about escaping from automobiles.

[Hamada] That is right. We spoke of escaping from automobiles, but the percentage of auto parts rose rapidly at that time (laughter). So we did not have any margin to invest human resources and facilities in fields other than automobiles. Nevertheless a company should always take action considering the future, for globalization or the diversification of management. Now that it has become an actual topic confronting us, JAPIA has announced its "Vision for the 21st Century" and is presently conducting a "Survey into Future Perspectives." It is often said that cars have reached their upper limit, but we think it important to understand correctly how their production, new technical developments, export environment, after-market and overseas markets will be. People ask me about the role of JAPIA, and I think that it should be to provide member companies with information on the market and technologies inside and outside Japan and also that one of its missions is to define the orientation of our future direction.

Average Percentage of Auto Parts Production by JAPIA Decreased From 70 to 60 Percent

[Editor] JAPIA has about 500 member companies, but they are quite different in terms of scale, business type, and percentage of production used in automobiles. They are too diverse to be called auto parts makers indiscriminately.

[Hamada] Previously, JAPIA statistics have been collected from member companies for which the ratio of auto parts shipments were 70 percent or more of their business. Recently, however, it has become impossible

to identify the overall condition with such a high figure, and our statistics presently set the limit for target companies at 50 percent. Domestic car production has been stagnating for about five years, with production continuing to decrease from the previous year, but this does not mean a decrease in car-related sales. Even as domestic production decreases, overseas production is increasing, so parts makers are producing parts by advancing overseas. A recent survey showed that there are already 700 sales offices overseas. Exports from Japan would have been possible if there had been no problem in the exchange rate and labor costs, but we could not set an orientation other than globalization and local procurement while also taking the trade friction issue into consideration.

[Editor] Car makers used to say that they could not buy American parts because of their low quality even when they could support their high prices. However, as quality has improved in recent years and also due to the rise of the yen, their present orientation is to procure low-priced, high-quality parts locally. I think this change has increased the pace of local procurement.

Hollowing Out of Technologies Should Be Avoided

[Hamada] High-priced items cannot actually be purchased. However, I think what is most important is R&D, that is, involvement from the development stage. This concept of design-in has been the weakest point of the United States, while Japanese auto parts makers have been located near car makers and could perform the process from development through production and delivery. This was one of our strong points. However, now that the development departments are also advancing to the local production sites overseas, domestic parts production may decrease but will never increase.

The hollowing out of production may be unavoidable under this situation, but I think what should really be avoided is the hollowing out of technologies. We should keep the development technologies within Japan and implement them by overseas production. Or we would have to transfer our technology and it is important that Japan continues to develop ever newer technologies.

[Editor] Speaking of technical developments, the systematization and the modularization of parts have recently been discussed frequently as an idea for reducing parts costs. Do you not think that this will lead to a reorganization of the auto parts industry?

[Hamada] Modularization for cost reduction and reorganization should be considered separately. When a car maker procures parts, it is up to the maker to select whether to purchase them as single items and assemble them in house or to procure them in the form of sub-

assemblies or modules in order to maintain quality and reduce costs, and this issue is also dependent on the type of parts. It is possible that the modularization allows the pursuit of rationalization and economy and will eventually lead to a reorganization of parts makers. Another cause of reorganization is mergers of parts makers. If I am asked if there is the possibility of a merger between similar companies or dissimilar businesses aiming at strengthening the companies and becoming more competitive, my answer is yes, it is possible.

Apart from this, there could also be reorganizations resulting from the selection of a parts supplier by a car maker by considering the production system, supply system and external ordering system. The reorganization resulting from the systematization of parts that you mentioned in your question may indicate such a reorganization. However, this behavior is not restricted to car makers. We auto parts makers act in the same way with respect to the secondary and lower makers. I think that, to consider better suppliers and better systems for producing higher-quality, low-priced goods is particularly necessary in such a severe period.

Mergers To Enhance Competitiveness Necessary

[Editor] Let me go back to mergers. Even when a merger is based on a positive attitude to improve competitiveness, its negative aspects take precedence over its positive aspects in Japanese society. A merger is accompanied with negative images such as buying and absorption, and particularly the merged party tends to feel aggrieved.

[Hamada] I do not think you are right, because the situation is more severe now. Mergers should take place whenever the two parties feel that it would make them stronger, otherwise they will be left behind. It is out of the question if a company says that it does not want to be taken over by another company. Unless we make legal arrangements, including the possibility of establishing holding companies to match needs of the times, we will be left behind the international community. We do not mean to monopolize the market. Remember that Japanese companies are running businesses with the most expensive land, facilities, and labor in the world, and I think everyone has a feeling that cooperation is indispensable if we are to be competitive. Now that in-house restructuring has reached its limit, we should find a way for joint operations to take the place of scrambling for slices of the same pie so that we can make ourselves more competitive. We often hear about the mergers of banks nowadays.

Such mergers and tie-ups will occur in overseas markets as well as in the domestic market. For example, at

my company, there was a joint venture between NHK Spring and a Spanish company, but the Spanish capital has been replaced by French capital. The press thinks this as a simple replacement of stockholders and does not pay so much attention, but it was actually significant in many ways. There will be more of such mergers and joint ventures in overseas markets.

Although they have the same name, I feel that the M&As seen so often in the United States are a little different. They sell the companies when their businesses start to earn money, saying that a profitable company sells at a higher price (laughter). So they sell their companies whether their businesses are profitable or not, and there are people who actually buy them (laughter). The circumstances may be a cultural difference and we Japanese cannot understand it. This topic is often raised when I talk with Americans. American managers make a distinction between the stockholders' equity and borrowed capital and put current profits in their pockets (laughter). They hardly think about in-house reserves for the future. I think this may be a difference in the business cultures.

[Editor] What you said also applies to personnel affairs. Sometimes they become the president of a rival company without any concern (laughter). This is not a problem of being behind or in front of other people but clearly a cultural issue. When the Japanese become familiar with different cultures with the globalization of society, will the same thing happen here?

[Hamada] It could be possible, because younger people do not care at all about changing jobs (laughter).

JAPIA Conducting Accurate Market Surveys

[Editor] Let us return to the main subject. What is your perspective of future market trends?

[Hamada] We commissioned market analysis to a private think-tank. According to the statistics of Jikokai, Jihanren, Yunyu Kumiai [names as received] and other organizations, production in FY1996 is expected to be less than in FY1995. The decrease in finished car production should be interpreted as a decrease in OEM demand. With OEM, we are planning to compensate for the drop in sales due to the absence of quantitative expansion by creating adding values in pursuit of car with more functions. However, the situation is still very hard with this alone.

In contrast to the domestic market, the on-site production of Japanese makers in overseas markets has been increasing, and the parts supplied for this are also produced locally because it has become no longer profitable to export parts from Japan. This has increased the num-

ber of overseas sales offices of parts makers from 350 to 700 in the last five years. From now on, settlements should be on a concatenated basis including overseas sales and the increase or decrease in production quantity should also be considered from a global viewpoint.

A factor which is expected to contribute to domestic sales is after-market demand, which increased in 1995 compared to 1994 according to JAPIA statistics. Car ownership has clearly increased and the used car market has also grown. We expect much from the after-market thinking that it could be attractive if treated well, even if the possibility of participation by foreign makers is considered.

[Editor] It can be regarded as a new field from the viewpoint of independent participation by parts makers, but this market has already been enhanced by nationwide networks of car makers as a market for "genuine" parts, and I think that we cannot expect too much for the expansion of service parts sales. In addition, Japanese cars do not run so far. The marketed parts sellers seem to maintain their business by shifting toward accessories.

[Hamada] In spite of several negative factors, the service lives of cars have increased and car ownership will not decrease. The deregulation of the automobile inspection system may also stimulate competition. Therefore, even if participation of major OEM makers is difficult, smaller makers which are nimbler may find more opportunities.

Emphasis on Exchanges With Overseas Parts Makers

[Editor] With regard to the after-market, since a large number of Japanese cars are used overseas, how about the overseas market?

[Hamada] Exporting from Japan would be difficult. Rather, since we have as many as 700 overseas facilities, it is possible that overseas factories will produce service parts as well as OEM parts. However, this would be in the longer-term future. It is only 10 years since parts makers started to advance abroad. The oldest facilities of NHK Spring are located in Southeast Asia and are more than 30 years old, but those in North America are only 10 or so years old. They may not have the spare capacity to produce and supply service parts.

Therefore, to strengthen the competitiveness of auto parts makers while avoiding the hollowing out of technologies, I think it important to enhance our physical presence in terms of its orientation including joint ventures and mergers, though I am not sure if the term reorganization is suitable to express this.

[Editor] Regarding the hollowing out of technologies, what do you think of the technical development capabilities of Japanese parts makers? I found that many technologies such as ABS and air bags rely on European or American technologies.

[Hamada] I think they have satisfactory technical development capabilities. Some of technologies such as the air bag were introduced from Europe or the United States, but I believe that Japanese parts technologies are highly rated even in Europe and the United States, not to mention developing countries. This is why Japanese cars are well received, and we should be proud of this.

However, I do not mean that Japanese technologies are everything. Since Europe and the United States have many excellent technologies, JAPIA has set as one of its FY1996 projects to exchange information with various overseas organizations through positive interactions centered around its Overseas Cooperation Committee. U.S. parts makers have been holding business talks with Japanese car makers, and parts makers in Japan and the United States have also been holding similar discussion to exchange new and outstanding technologies since 1995. We do not deal only with U.S. parts makers, but also interact with European parts makers' organization under the EU. As for Southeast Asia, which does not have such an overall organization, we are making efforts to interact separately with parts organizations in each country.

[Editor] In closing this interview, I would finally like to ask you about how auto parts makers can increase sales and profits while domestic production is not expected to grow as we approach the year 2000.

JAPIA's Activities Setting Year 2010 As Target

[Hamada] First, we have to identify actual conditions accurately. As I told you before, we should accurately identify the conditions of the domestic production and after market. We already expect a slight increase but commissioned the survey in order to identify the actual status.

The second theme is to strengthen the constitutions of our companies. What should be done to improve competitiveness? This involves restructuring including rationalization and reorganization including the merger of companies. And there is also the issue of overseas production.

The third theme is moving to other lines of business using expertise in the development and production of auto parts.

I think it important to decide how auto parts makers should be managed in the future by focusing on the

above points. The year 2000 is too close, so I would rather set the target of around 2010.

[Editor] Thank you very much.

Biography of Shohei Hamada

1928: 27 August, born.

1948: May, graduated from Takamatsu Economics Professional School (presently Faculty of Economics, Kagawa University); June, entered NHK Spring Co., Ltd.

1974: May, Executive Director

1979: June, Executive Managing Director

1982: June, Senior Executive Director

1985: June, Representative Director, Vice President

1989: June, Representative Director, President

1995: May, Chairman, JAPIA; June, Representative Director and Chairman, NHK Spring Co., Ltd.

Japan: Honda Executive on Auto Parts Globalization

OW1108053996 Tokyo NIHON NO JIDOSHA BUHIN KOGYO in Japanese 30 May 96 pp 67-76

[Interview by unnamed on 7 March with Hirofumi Komatsu, Executive Director and General Manager of Purchasing Headquarters, Honda Motor Co., Ltd.; part of article originally titled "Interview Special Feature: Responses of Auto Parts Industry to Automobile Industry's Globalization, Purchasing Strategies of Automobile Manufacturers," in 1996 edition of the Japanese auto parts industry almanac produced by the Japan Auto Parts Industrial Association and Auto Trade Journal Co., Inc.]

[FBIS Translated Text] Overseas Production Exceeds Domestic Production for First Time in 1996 Plan

[Editor] As your fifth mid-term plan encountered the steep rise in the yen in the process of developing VE10 (project targeting 10 percent cost reduction), you introduced the new VE-X plan. In an interview in 1995, you said that the results were already apparent.

[Komatsu] As part of the 5th mid-term plan, VE10 will end in March 1996. VE-X has been decided, planning has been completed and we are currently elaborating the rules. However, recently we have often come to forecast actual results from the planning stage. Planning is almost the same as implementation or actual achievement. This is because planning has reached such a high level that the forecast results do not differ so much from actual achievements. The real work is completed upstream. I think this is because the constitution of technical research institutes have

changed drastically and that the cooperative system of the purchasing department has been enhanced.

[Editor] In the sixth mid-term plan (hereinafter abbreviated to "6MTP"), to start in April 1996, is the implementation of VE-X set as one of the main themes?

[Komatsu] For us in the purchasing department, there are not so many clever schemes and all we can do is perform what was decided for VE-X thoroughly. This should be enforced not only in Japan but in facilities worldwide. And the task is to perform it neatly and quickly. This means that Japan is the most upstream source of all of the world. We, as the staff of Japanese production facilities, as well as staff of our customers who trade with us will make Japan the source of leading-edge products and transfer the results to downstream facilities all over the world. We want to make this system really part of 6MTP.

[Editor] According to Honda's 1996 production plan, overseas production is more than domestic production. Is this not the first time for Honda?

[Komatsu] It is planned that the domestic production volume and overseas production volume will be reversed in 1996. So it is very troublesome for us if the accuracy in quality cannot be improved as specified throughout the world. It is a problem if the quality of one of the production facilities drops suddenly, for the cars running everywhere carry the same Honda name. For the quality achieved in Japan to be realized in the United States, Europe, and Asia, we would have to transfer the expertise obtained in Japan. It is extremely important to transfer expertise also to the customers. This is like the very origin of our competitiveness. There are many things we should do so that cars developed in Japan can be completed with the intended marketing power in the United States. This is very tiring work.

From Single to Modularized Parts for Extending Range of Knowledge

[Editor] We wonder if it is possible to do the same things as in Japan in foreign countries.

[Komatsu] The other day, in relation with the transfer of VE-X, we verified that it was possible to transfer a car developed in Japan as it is to the United States, and we succeeded perfectly.

These matters should be handled logically. Overseas transfer and cost improvement efforts cannot lead to a real cost reduction unless they are based on logic. For example, omitting such a process results in such a result, using such a design results in materials cost reduction, such a part can simply be omitted, et cetera. Even if we buyers make efforts by using lower-priced parts, the

resulting cost reduction is limited. At the beginning of this interview I told you that the constitution of research institutes has changed drastically, but in saying this I meant that they have become capable of designing things at lower cost or that a system in which the research institutes and purchase department can go hand in hand to output products. Considering costs conceptually is not enough. Major cost reductions can be achieved only when we understand the actual production sites well, reflect techniques that are suitable for the sites in the design, and eliminate many sources of waste. For example, assume that there is a part composed of three elements which have been purchased from three makers. If we decide to buy them from two makers, the design can be changed to integrate two elements into a single element, then the cost can be reduced because one plus one is no longer 2 but can be reduced to 1.5 or 1.2.

In other words, it frequently occurs in the world of parts that changing the purchase unit from three separate elements to a single item allows the reduction of costs. The current trend of purchasing is that what used to be bought as processes started to be bought as component parts then on a system basis, and the purchase unit of many car makers now tends to be on a per-module basis. The origin of this trend lies in the reasoning that the range of exhibiting wisdom should be extended to the limit. The range in which you can exhibit your wisdom is limited if the target is only one part, but if the target is set differently to turn five parts into one or two, for example, you can exhibit wisdom over a much wider range and the design can be more rational. This will result in simultaneous, parallel developments between a parts maker and Honda (concurrent engineering), make information exchange between them possible and improve the output. A system which covers not only Honda but also its interactions with parts makers in this way has been completed now.

Honda Should Provide Centripetal Force, Its Actions Should Be Rational

These attempts will not become successful unless Honda provides centripetal force toward itself. Companies must be able to rely on and have expectations concerning measures and actions taken by Honda, and the logic on which their basis forms should be strictly rational. Even the slightest irrationality would disturb the orientation of the other companies. In this context, such a system cannot be created unless we advance to the level of establishing a common language between the parties and even considering morality. We took a very long time to reach this level. It was because of the many invisible operations I explained before. An environment tied to old commercial practices cannot improve faults

smoothly even when what is correct and what is faulty are known. With the Japanese economy, too, actual improvement will not progress even when scholars and well-informed persons give warnings. Similarly, the long period we took means that such circumstances also existed in our industry, and innovations and reform of consciousness against them were major problems to be overcome. Now that the targets have been achieved, the present task for us is how to establish a system for transferring the level we reached to our facilities in other countries as soon as possible. In this era, Honda should be considered as part of a world group. It would mean nothing if only Honda were to be perfect. Honda is borrowing the wisdom of parts makers, and the value of Honda seen through the finished cars would drop if the wisdom of parts makers was left behind. We have to establish a system in which the technology, or the way of thinking, of Honda flows endlessly from the top to the bottom. It is extremely difficult to align all the vectors involved in this work, though the target itself can be expressed in a few words — to quickly spread VE-X throughout the world — if we are allowed to say things simply (laughter). However, there are an infinite number of things that we should actually do to achieve this. We are aiming at achieving all of them by setting the same target date as 6MTP and bring the production facilities all over the world to the same level.

Possibility of Breaking Through Existing Concepts a Question

[Editor] Now I feel I can see what you want to do, but could you explain it more systematically?

[Komatsu] I mean that recent changes in the trends have increased the aspects of the development of VE-X. For example, our competitors were only inside Japan in the beginning, but the competition has changed to that with top-level makers throughout the world. This became clear from around the time of the Civic that we released in 1995, and the cause was the rise of yen, which increased the relative competitiveness of overseas makers. Accordingly, the procurement structure has changed from domestic competition to international competition.

The procurement unit has also changed. Previously, the production assignment was decided per process. When this was reconsidered so that parts makers could present their wisdom in the development and production processes, it was concluded that the procurement unit should be larger to obtain better results, so the current trend is to increase it from per-process to per-part, then to per-system and per-module.

In development, it had previously been one-way and parts had been manufactured based on drawings and in-

dications given by Honda. However, this has changed to two-way concurrent engineering or simultaneous engineering with which both parties present their wisdom. The development of information equipment has greatly contributed to this, but the trends of car makers and general society have also changed in this direction.

These changes can be expressed in simple words by breaking through existing concepts. VE-X is not possible if we accept and are contented with the past way or mechanism. It is important to go against things based on the old framework of the past but to challenge the future with a new, flexible way of thinking. Honda was able to achieve VE-X by promoting innovations and a reform of consciousness in such a period, and we also believe that we could complete the software for doing it.

Once the strategy is determined, it is not so difficult to deal with the techniques for achieving it. We are just continuing the classic methods by reducing the number of parts, materials and processes, and we feel we are doing nothing new. The problem lies in how to align the varying vectors toward a single orientation. How to gather the wisdom for tens of thousands of parts composing a 4-wheel vehicle, this is already an issue of the strength of quantity (laughter). What is in question is a system for creating a single thing by gathering such a large quantity of wisdom from everyone concerned. This is not easy, because there are cultural barriers and particular hang-ups from the past. Therefore, now that this is done, we have a feeling of achievement, that how we were really able to do it.

Japan's High Productivity Result of Each Employee's Abundant Wisdom

[Editor] Your story makes me feel that overseas factories without have particular hang-ups from the past can do new things more easily.

[Komatsu] The way of presenting wisdom is completely different between Japan and other countries. Japanese parts makers are excellent. Of course, big parts makers in Europe and America are also excellent. Major companies leading the world are excellent, but they are very small in number. A car is composed of tens of thousands of parts, and the average level of the parts makers producing them is overwhelmingly high in Japan. With costs, too, Japanese parts makers are the best in productivity itself, apart from the problem of material cost. We think that they can survive even with the sharp rise of the yen if we consider only processing. However, the materials cost is a problem. Nevertheless, if the materials can become more global merchandise the prices of which are determined according to a floating system, we

think that Japanese parts makers will really be possible to survive considerable rise of the yen.

[Editor] What is the cause of Japan's high productivity? In Japan, labor costs are high as well as materials, energy and land.

[Komatsu] The reason why Japan can compete at 100 yen to the dollar in spite of the world's highest costs of everything is that they have wisdom. It is the diligence and wisdom of each employee and the continuous improvements in production that makes Japan's productivity the highest in the world, I think.

[Editor] If this is so, Japan will not be overtaken by others soon.

[Komatsu] Our idea is that we should make efforts to ensure that we are not overtaken by other countries, and there is actually some margin allowing us to do this. The only problem lies in material costs, and we believe that the competitiveness as a manufacturing industry can be maintained if proper measures can be taken for material cost. Since the existence of Japan cannot be considered without a manufacturing industry, we are making efforts for the revival of the manufacturing industry.

Main Cause for Concern in Overseas Production Still Quality

[Editor] Then what are the advantages of strengthening American factories with low productivity and importing cars made there to Japan?

[Komatsu] There is a dilemma here. When we develop and create a leading-edge item in Japan, we should transfer it immediately. Then the result is the same thing everywhere (laughter). When the level in the area of wisdom becomes identical, the competitiveness is determined by the infrastructure. This means that the price can be lower in the United States, where labor, energy, land, equipment, and other costs are lower. This is a dilemma from the standpoint of Japan. Even though the advantage is obtained by Japan's becoming leading edge, if the leading edge is transferred, Japan is overtaken by the United States at the moment the transfer takes place because it is the same thing that is transferred. However, from the inclusive standpoint of the Honda group, the global strategy of Honda will not be able to win in world markets unless it improves the overall cost competitiveness of the group. In this context, as we are aware that our ultimate responsibility lies in making Japan the foremost leading-edge country, we will assume our duties properly, quickly, and without any reservations.

[Editor] It is said that the quality of American parts has improved. What are the facts?

[Komatsu] Well, the first cause for concern is still quality. We find American parts still lack a kind of detail. This may also result from differences in the quality level and control level, but what is common sense for us is sometimes ridiculous to them, and what is common sense for them is sometimes absurd to us. So the cause cannot be attributed to one side or the other. We should solve these differences, and we recognize this as a task for us. It is said that they follow the Japanese quality control techniques, but we feel they do not have a detailed understanding.

Seventy Percent of Japanese Parts Makers World Class

[Editor] The Big Three also say that they have surpassed Japan in terms of quality and cost.

[Komatsu] It is hard to evaluate matters concerning your neighbors. It is no use saying such and such while the concepts of the goods themselves are different. Since the role of people in purchasing is to finish the products developed under the concepts involving the technical abilities and corporate culture of Honda into competitive merchandise and output it, all we can do is perform this role steadfastly. We hope to do this using techniques that are at the world's top level. However, if I say this, I may be taken as meaning that we are not at the world's top level (laughter).

[Editor] How many Japanese parts makers can be ranked at the world's top level?

[Komatsu] There are many. If we consider each car, perhaps about 70 percent of the parts are at the world's top level. This must be true, otherwise it would not be possible to sell so many Japanese cars in world markets.

[Editor] Why do not you stress such points more?

[Komatsu] Yes, we do, we always say that it is thanks to the parts makers.

[Editor] Rather, their negative aspects are exclusively stressed, that they are just subcontractors to car makers, they are tied under "keiretsu" affiliations, their development potential is low, and so on. I feel that the general impression is that car makers are strong but parts makers may be ruined by the hollowing out resulting from progress in overseas procurement.

[Komatsu] Does this mean that our encouragement to catch up and make efforts is understood as a complaint, suggesting that they could be bankrupted? However, what we mean is that car makers cannot survive unless the parts makers catch up with the world and reach the world's top level, that we should make efforts by setting it as a target to catch up with the world's top level.

The production volume of the Japanese automobile industry has fallen by about 30 percent from the peak period. Thirty percent means three million cars, so this figure means that Honda and perhaps another maker already have become excessive. Under this situation, the industrial structure is being adjusted and the production system is being restructured so that the industry can survive with domestic demand alone. Naturally, Honda is doing the same. However, we cannot accept it if reduction in the production volume simply results in making Honda smaller. We should slim ourselves while leaving a margin for a future leap, and this should be accompanied with a reform of our constitution. It is not easy to slim ourselves down by changing the constitution, but we want to do this. This will make the second step in the hop, step, and jump of the triple jump tight, so we can make the last jump farther. This is our present stage. It can be what is popularly called restructuring in the vulgar meaning of the term, but we and parts makers are sticking to reform the constitution in this direction.

Theme of 6MTP Is QCDD

[Editor] Finally, can you explain concretely the enforced items of 6MTP?

[Komatsu] I can only tell you an outline because we have not reached the stage of being able to describe it in detail. The themes are to achieve QCDD (Quality, Cost, Delivery, and Development) securely all over the world. For costs, we will develop VE-X worldwide and also apply an advanced version in the future. For delivery, we will reduce the lead time further. This issue is related to the customers' satisfaction in car delivery. We should deliver cars the next day after they are ordered, and this should be with a full range of options and on time. The period should be as short as possible, and our strategy is to make it infinitely short. For development, we will reduce the development period so that it is infinitely short. Then we will also provide support to strengthen the procurement infrastructure of our production facilities all over the world. Each of the facilities should be capable of doing many things independently, and we will provide support for this. This will also lead to the transfer of leading-edge technology from Japan to other countries all over the world. The objectives of the 6MTP will be like this.

[Editor] Thank you very much.

Biography of Hirotada Komatsu

1940: 30 June, born.

1959: March, graduated from Shizuoka Prefectural Hamamatsu Commercial High School; September, entered Honda Motor Co.

1988: June, General Manager, 1st Plant, Hamamatsu Factory.

1991: March, General Manager, 1st Purchasing Department, Purchasing Administration Department

1994: June, Executive Director and General Manager, Purchasing Headquarters, 4-Wheel Vehicle Production Department, Japan Headquarters

Japan: Toyota Executive on Auto Parts Globalization

OW1108054796 Tokyo NIHON NO JIDOSHA BUHIN KOGYO in Japanese 30 May 96 pp 77-86

[Interview by unnamed editor on 8 March with Takaya Yamada, Executive Director and General Manager of Purchase Planning Department, Toyota Motor Corp.; part of article originally titled "Interview Special Feature: Responses of Auto Parts Industry to Automobile Industry's Globalization, Purchasing Strategies of Automobile Manufacturers," in 1996 edition of the Japanese auto parts industry almanac produced by the Japan Auto Parts Industrial Association and Auto Trade Journal Co., Inc.]

[FBIS Translated Text] Storing Proposals from Suppliers on "Technology Shelf"

[Editor] What are the main points of your FY1996 purchasing policy?

[Yamada] We have been exclusively defensive since the end of the "bubble" economy till 1995, but we regard 1996 as the year in which we will be both defensive and offensive. In concrete terms, Toyota's corporate policy mentions VE activities as means to improve our commercial force. These commercial-force improving VE activities are intended to change the previous, exclusively cost-oriented car production by adding new technology and new functions with added value while reducing costs. Therefore, the purchasing department is also planning to develop corresponding activities. This is the biggest difference between the 1995 and 1996 policies.

So we started thinking about what kind of deployment should be used to gather proposals which allow us to provide cars with new added value, and decided to ask suppliers to "produce the world's No. 1 parts." Previously, we asked suppliers to create a special organization for reducing costs to the world level, and we changed the concept a little and now ask them to arrange a system which allows them to develop the world's No. 1 parts. According to the activities we are planning, the proposals made by the suppliers under this system are kept on a shelf called "the shelf of

technology," and Toyota engineers choose parts from this shelf and mount them in new cars.

[Editor] You mean you register proposals from suppliers saying that you will keep them on a parts shelf. Is it not only the medium and larger parts makers who can make such concrete proposals?

[Yamada] We interpret "the technology shelf" more widely. The world's No. 1 parts may include those which are No. 1 in the functions or new added value; there are also parts with which it is most advantageous to be No. 1 in costs, and there are also those which are No. 1 in terms of production technology. We think that companies producing single-unit parts may propose of cost-effective No. 1 parts in terms of fabrication method in addition to those based on production technology. In this way, we believe that every company is capable of making proposals.

[Editor] You say that parts can be No. 1 in a variety of aspects.

[Yamada] Yes, we wish to make these activities possible for participation by all members of the group.

Parts Have Acquired International Competitiveness Through Activities Undertaken to FY1995

[Editor] Please allow me to go back a little, but in an interview in FY1995 you said that the suppliers had strengthened their constitutions and become profitable in cash terms as the result of post-"bubble" measures. However, you also said that it applied to primary suppliers, that there were still problems with secondary and tertiary suppliers, and that they would be the themes for the second phase to start in FY1996. How should we interpret what you said last year according to what you've said now?

[Yamada] Let me answer your question by considering it more broadly. What was talked about in 1991, in the "bubble" period, was "prosperity without profits." Though the sales of the entire automobile industry were growing, their profits were decreasing continuously. At that time, we found that the percentage of variable costs was a very large percentage of overall costs and we started the "urgent VA activities" at the company level then proceeded to the "specific VA activities." We could slim down the specifications which had been excessive till then but, as the rise in the value of the yen advanced, we also started the "epoch-making cost reduction activities" which were the activities just before the "No. 1 parts production activities" on this occasion. In these activities, we asked suppliers to propose low-cost parts and cooperated with them to implement systems for producing such parts. And we believe that they provided parts with average global competitiveness. In addition,

we also believe that makers who could develop these activities cleanly could reduce costs below the targets and create profitable constitutions. However, the results were variable in different companies. Some became very comfortable by reducing costs more than the drop in sale prices, but some could not reduce costs enough while only the sale prices dropped.

Activities To Improve Products Highly Meaningful in Strengthening Constitutions of Secondary Suppliers

In general, it seems that primary suppliers have changed their constitutions to become profitable on average by creating systems that can implement low-cost parts. However, I think their sales have certainly dropped because their work has not increased. When the sales of the primary suppliers drop, those of secondary suppliers also drop accordingly, but the influence of sale reduction on the business management may be greater with secondary suppliers because their profit foundations are weak. In the year 2000, even though the domestic production volume is assumed to be identical to the present, further cost reduction expected will result in a drop in sale prices and sales. The world's No. 1 parts activities were invented to stop this. Providing cars with new added value means to increase sales. In other words, when the commercial force of a part is improved by giving it new added value, it will be adopted in Toyota cars. However, since they will also be adopted in cars other than Toyota cars, sales will increase instead of falling while the work increases.

In purchasing policy, the secondary suppliers are the biggest potential source of problems toward 2000. We have already asked primary suppliers to watch their management carefully.

[Editor] You say that an important part of the significance of improving the commercial force lies in backing up the strengthening of the constitutions of secondary suppliers.

[Yamada] This is a large part of the significance. We are simultaneously trying to create good-selling cars by improving the commercial force and to increase the sales of suppliers.

[Editor] Are these activities limited to domestic suppliers or also carried out overseas? We think that the ratio of overseas production will also grow at Toyota, too.

Overseas Parts Makers Have Still Problems in Reducing the Production Preparation and Development Periods

[Yamada] What I have told you are measures for domestic suppliers. It may be still too early to ask

suppliers in the United States and other countries to conduct activities for "new added value". Many of them are still at the stage of trying to deliver the requested quality at the requested timing. Particularly, their reduction of the production preparation period and development period are much delayed compared to domestic suppliers. Even with Japanese suppliers who transfer production overseas by building facilities there, their management is delayed so, even if they can achieve a certain quality, points such as the production start and development periods cannot easily reach the level inside Japan. We think that the most important target is to make them similar to inside Japan. In the Asian region where most of the parts makers are Japan-affiliated, the themes for the near future include how well these Japan-affiliated suppliers can manage their branch factories in Asia.

[Editor] Will these delays of overseas suppliers not obstruct the overseas deployment of Toyota in the future?

[Yamada] Even when a car model is to be released first outside Japan, the in-house system of Toyota should be firm so that it can be started as scheduled with the target timing. The reason why the development period can be reduced inside Japan is that the suppliers are excellent, have good relations with us and are very quick to understand what we want even when we tell them very little about it. If we want American suppliers to do the same, we have to draw them more precise sketches.

[Editor] You mean that the international competitiveness of Japanese parts makers is very strong.

[Yamada] There may not be so many parts which we should import from overseas because overseas suppliers have better general ability. We feel that Japanese parts makers have certainly acquired strong competitiveness in the last two or three years.

Some Japanese Parts Makers Already in World's Top 10

[Editor] In this context, in spite of the general awareness of hollowing out, it is highly probable that, in the trend of global optimum purchasing, Japan will be the parts supply base for assemblers all over the world.

[Yamada] I do not know if Japan can be such a supply base, but I am sure that Japanese parts makers will steadily increase the share of sales to the car makers of the world. It will advance without doubt. To reach the global top 10 level with individual parts is easier than to reach the same level with cars. I think there are already many parts which have reached the global top 10 level.

[Editor] Nevertheless, I feel that Japanese parts makers buy many advanced technology items from European and American makers. Are not the ABS and air bag some examples of this?

[Yamada] You are talking about air bag inflators. Yes, Toyota imports more than half its inflators. However, there is no problem in ABS. The newly developed ABS by our suppliers and Toyota features better performance and competitiveness. There are still some domestic parts causing trouble due to high costs, but the items with which Japan is not competitive are only the inflator you mentioned and the auto drive system.

[Editor] The products may be competitive, but do not you have to pay patent fees for them?

[Yamada] It is not so basic. From the viewpoint of globalization, the path of development for the parts makers is very wide.

[Editor] The general recognition is that U.S. parts makers are catching up with Japan in terms of cost thanks to the rise of the yen and they are also becoming competitive in terms of quality.

[Yamada] There are certainly some parts makers who are catching up with us in terms of quality. However, their competitiveness in costs is mostly the effect of the exchange rate. Japanese parts makers have been developing activities to restore international competitiveness for three years under the yen's rapid rise to a level below 100 yen per dollar. We believe that they succeeded in achieving a level in 1995 that allows for brighter future prospects. Now they will not be beaten in terms of both quality and cost.

[Editor] Newspapers and commentaries hardly say that Japanese parts makers are so strong.

[Yamada] They do not mention it, and it is strange. However, Japanese parts makers are really strong. The strongest of them have already advanced all over the world, and the range of their activities is expected to expand, including as well expansion of their business lines.

[Editor] Maybe it is better not to mention this in the newspapers because this would make friction worse (laughter). When I asked a car maker about the percentage of parts makers at the world's top level among Japanese parts makers, he answered that 75 percent of them are. It was a little surprising to me.

[Yamada] This figure may be right if we consider individual parts.

Some Parts Makers Profitable Only in Domestic Market

[Editor] Even when Japanese parts makers have become so strong and create products with improved commercial force, I feel that they are still unable to make a profit with the domestic market alone. Since Toyota will produce more than half of its products overseas in 2000, I hope you will also use Japanese parts overseas.

[Yamada] If the domestic production volume does not increase, the only way to achieve domestic progress may be to implement new added value and make higher class cars. Also, as it is hard to continue exports for a long period by covering the disadvantages in transport, the production facilities themselves will have to be moved to overseas sites sooner or later. This will make it possible for suppliers capable of producing their products overseas to develop on a global scale. On the other hand, for suppliers who produce products exclusively in Japan, the situation will be much more difficult and the issue will be how to secure profits without increasing volumes.

[Editor] What kind of guidance do you give them? Do you encourage them to advance overseas?

[Yamada] Whether a company should advance overseas or make profits domestically with secure management is the choice of the manager of each company. Even if a company stays in Japan, it is also possible to expand its trade with makers other than Toyota. This is highly probable with companies who have particularly excellent production technology. There are actually some companies going along this line.

[Editor] In an interview held a few years ago, a person from Kojima Press Industry Co., Ltd. said that they would not advance overseas and will continue trading exclusively with Toyota in Japan.

[Yamada] I think that their idea has not changed since then. Kojima Press Industry is not just a press maker; they have electronic technology and are increasing the percentage of resin products. It is a company always able to find something new, expand its trade with Toyota, and make money steadily.

"Toyota Trading With World's Top Suppliers in Japan, Wishes To Do Same All Over World"

[Editor] You said your FY1996 purchasing policy is focused on improving commercial force, but what are the themes of your procurement strategy on a worldwide scale?

[Yamada] I think that, inside Japan, Toyota is already trading with the best suppliers in the world. Our basic idea is to realize the same condition in the four

regions of North America, Europe, Australia, and Asia. However, if we are asked if we really do it, we are still a little insecure and cannot be confident. When we establish a supervising company in the United States and assign all of the purchasing operations to it, it will be necessary to verify if Toyota is trading with the best suppliers in the United States equally with the Big Three. A similar verification may also be required in Europe.

In the Australasian region, we are mostly trading with Japan-affiliated suppliers as I told you before, but we have still many things that must be done for this region, for example if the current suppliers are really sufficient, if Toyota has a purchasing staff capable of finding the best suppliers in the region and so on. We believe that we should begin with making Toyota's purchasing and procurement systems themselves secure.

With the Asian region where a large number of Japan-affiliated suppliers have advanced, it is expected that more suppliers will advance there. I told you that it is better not to advance overseas but to think about making profits from the domestic market alone. However, with the Asian region, if the customers are established, the business would be best to build factories with a matching capacity to the expected sales volume. The risk is small provided that sales are assured, and many advances are expected from this viewpoint.

The problem expected in the future of the Asian region is if the local authorities accept the situation in which most of suppliers are Japan-affiliated.

[Editor] In the Asian region, it is said that Japan is late in developing in China and India.

[Yamada] We are not really late. People tend to be hasty when advancing overseas is in question. Sometimes the advance itself becomes the objective, but this is not right. There are some managers who have less sense of self-responsibility and think of advancing overseas as a tool for upgrading their corporate image, but this is a fatal mistake.

Corporate Reorganization Based on Systematization Limited

[Editor] By the way, I feel that Toyota's purchasing policy does not mention the systematization of parts. What is your opinion on this subject?

[Yamada] Systematization is also called integration or modularization, and we think that the general trend of parts will gradually advance in this direction. We expect many proposals of this kind in the world's No. 1 parts production activities under the FY1996 policy.

[Editor] You say that there is already a trend of systematization at Toyota. When Toyota mentions a word, it often occurs that related activities have already advanced considerably. In the world of Toyota, there are actions in the beginning, rather than the Word in the beginning (laughter).

[Yamada] You mean that we have a certain project in the beginning and then invent words as tools for expressing the project in an easy-to-understand way. "Global optimum procurement" was a term invented by us, and "the world's No. 1 parts production" is another. However, we do not have yet the word corresponding to systematization or integration. In our current vocabulary, it may be expressed as development at the optimum development location or production by the optimum producer.

[Editor] When the trends of systematization of parts progress, it is conceivable that tieups and mergers of companies centering around the core parts makers will emerge.

[Yamada] Such changes in the procurement structure may happen. However, the number of parts which would be integrated or modularized will be smaller than the loud-mouths expect. Therefore, this trend would not expand to all suppliers but it should rather be regarded as happening between some suppliers. In most cases, the conclusion reached may be to mutually use the technologies of the two parties, and there would be few examples which go through to a merger or with which a tieup results in drastic reduction in the work performed by a company. For example, if the instrument panel is modularized, there would be a cooperative venture between Nippondenso and Kojima Press Industry or Toyota Gosei. The actual shapes of these relations may differ on a case-by-case basis, whether Toyota intervenes or whether it is based on discussion between suppliers. The measures to be taken regarding individual component parts to be incorporated in a newly modularized part are classified as important items subject to coordination with the suppliers of individual parts and also mentioned in the FY1996 policy.

Locally Procured Parts, Not Parts Imports, Will Increase

[Editor] Presently you may be increasing overseas parts procurement. I feel that GM's Delphi is very positive in sales.

[Yamada] Among the overseas parts makers, Delphi is the top supplier in terms of value. We buy a variety of parts from them. However, the increase in overseas parts procurement means an increase in the parts used in

vehicles produced overseas, and the importation of parts is not expected to increase, considering transportation costs.

[Editor] Does it mean that your import of parts is done based on policy considerations?

[Yamada] Toyota does not buy parts based on policy considerations. If we buy a part, it is because it has merits in terms of quality, quantity, and/or cost. However, it is true that imported parts are losing their price merit recently. We do not wish to import things for the purpose of importing something. If we bought expensive things as an effort, we would be blamed by our customers.

[Editor] Thank you very much.

Biography of Takaya Yamada

1941: 8 June, born.

1964: March, graduated from the Faculty of Economics, University of Tokyo; April, entered Toyota Motor Corp.

1989: August, General Manager of 1st Purchasing Department, and concurrently Senior Staff of Housing Division

1991: February, Senior Staff, 3d Vehicle Department

1993: January, Deputy General Manager of Purchasing Planning Department and concurrently Senior Staff of Production Planning Department

1995: January, General Manager of Purchasing Planning Department, and concurrently Senior Staff of Production Planning Department; June, Executive Director, General Manager of Purchasing Planning Department

North Korea

DPRK: ROK Student Federation Urges U.S. To Sign Peace Agreement

SK1008033596 *Pyongyang KCNA in English*
0250 GMT 10 Aug 96

[FBIS Transcribed Text] Pyongyang, August 10 (KCNA) — Some 1,200 students affiliated with the South Korean Federation of University Student Councils held a rally at Hannam University in Taejeon on August 9 to welcome a reunification vanguard squad and urge the conclusion of a peace agreement, according to a radio report from Seoul.

At the rally which was held in defiance of the harsh crackdown by the fascist clique to block the planned August 15 reunification festival, the students said that a peace agreement between the DPRK and the United States must be concluded at an early date so that the

Korean nation could enjoy happiness and an independent life.

They also resolved to successfully hold the grand reunification festival of the National Alliance of Youth and Students for the Country's Reunification.

Then, the ralliers thronged to the Taejon prison to demand the release of prisoners of conscience and staged a street demonstration.

DPRK: Pannational Rally Holds Opening Ceremony at Panmunjom

*SK1408022096 Pyongyang KCNA in English
0115 GMT 14 Aug 96 — Official DPRK news agency*

["7th PNR Opens" — KCNA headline]

[FBIS Transcribed Text] Panmunjom, August 14 (KCNA) — An opening ceremony of the 7th Pyongyang pan-national rally for peace and reunification of the country is now going on at Panmunjom.

A meeting vowing to implement the great leader President Kim Il-song's behests on reunification and a solidarity rally urging the release of imprisoned pro-reunification patriotic figures in South Korea will be held at Panmunjom after the opening ceremony.

A '96 Pan-National Meeting for Peace and Reunification of the Country will be held in Pyongyang on August 15.

Present at the opening ceremony are students Yu Se-hong and To Chong-hwa, delegates of the South Korean Federation of University Student Councils, which represents the South headquarters of the National Alliance of Youth and Students for the Country's Reunification.

DPRK: Various Attendees at Pannational Rally Noted

*SK1408102896 Pyongyang KCNA in English
1013 GMT 14 Aug 96*

[FBIS Transcribed Text] Panmunjom, August 14 (KCNA) — An opening ceremony of the 7th Pyongyang Pan-National Rally (PNR) for peace and reunification of the country was grandly held here today.

It had been planned that delegates of the North, the South and overseas side would jointly hold the 7th PNR in Seoul. But, it could not be held in Seoul owing to the obstructions of the South Korean authorities. So, it was held separately in Pyongyang, Seoul and Shenyang, China.

Present at the opening ceremony were Kim Yong-sun, secretary of the Central Committee of the Workers'

Party of Korea and chairman of the Reunification Policy Committee of the Supreme People's Assembly, Yu Mi-yong, chairwoman of the Central Committee of the Chondoist Chongu Party, and Paek In-chon, chairman of the North headquarters of the National Alliance for the Country's Reunification (Pomminnyon).

Also present were students Yu Se-hong and To Chong-hwa, delegates of the South Korean Federation of University Student Councils (Hanchongnyon), which represents the South Headquarters of the National Alliance of Youth and Students for the Country's Reunification (Pomchonghangnyon).

Attending it were a delegation of the Overseas Headquarters of Pomminnyon headed by Yu Tae-yong, co-chairman of the U.S. Headquarters of Pomminnyon, and a delegation of the Overseas Headquarters of Pomchonghangnyon led by its Co-Chairman Pak Ku-ho.

An Pyong-su, vice-chairman of the Committee for the Peaceful Reunification of the Fatherland, in his address said that the 7th PNR is a significant grand gathering for reunification which inspires all the fellow countrymen with the conviction of and hope for peace and national reunification and which powerfully demonstrates the indomitable will of Pomminnyon for reunification at home and abroad.

Yu Se-hong, delegate of "Hanchongnyon" representing the South Headquarters of Pomchonghangnyon, in his speech said that to achieve the great unity of the whole nation is a matter related to the fate of reunification.

The Kim Yong-sam "government," which prohibits the joint sponsorship of the PNR, will not last for long, he said, adding:

"No sword-brandishing can break the united will of the seventy million countrymen."

"Pomminnyon will continue its powerful struggle for national reunification till the day when the country is reunified," he declared.

Yu Tae-yong spoke on behalf of the Overseas Headquarters of Pomminnyon.

The speaker expressed the belief that the 7th Pyongyang PNR would register a great success in its work thanks to the unshakable will of the delegates for national unity and reunification and record a new chapter worthy of special mention in our nation's history of reunification movement.

DPRK: 'Solidarity Meeting' Held at Panmunjom

SK1408083596 *Pyongyang KCNA in English*
0823 GMT 14 Aug 96

[FBIS Transcribed Text] Panmunjom, August 14 (KCNA) — A solidarity meeting for the release of South Korean patriotic champions of reunification and students was held at Panmunjom today.

It was attended by Kim Yong-sun, secretary of the Workers' Party of Korea Central Committee and chairman of the Reunification Policy Committee of the Supreme People's Assembly; Yu Mi-yong, chairwoman of the Chondoist Chongu Party Central Committee; Paek In-chon, chairman of the North Headquarters of the National Alliance for the Country's Reunification (Pomminnyon); and others.

Also present was To Chong-hwa, a delegate of the South Korean Federation of University Student Councils (Hanchongnyon), the South Headquarters of the National Alliance of Youth and Students for the Country's Reunification (Pomchonghangnyon).

At the meeting Chang Chae-chol, chairman of the Korean Religionists Association and vice-chairman of the North Headquarters of Pomminnyon, highly appreciated South Korean patriotic-minded people and students who are struggling for reunification undauntedly behind bars and paid deep respects to them.

Saying that the South Korean authorities, who have arrested and harshly persecuted many reunification champions are criminals who should be judged by the nation and put into gaol, he accused the "civilian" rulers of engaging in brutal fascist dictatorship.

To Chong-hwa called for removing obstacles to the independent and peaceful reunification of the country with concerted efforts of the nation and continuing the struggle for the abolition of the "National Security Law", which stands in the way of great national unity.

A student Yi Ok-nan of Kim Chul-chu University of Education, who is a delegate of the North Headquarters of Pomchonghangnyon, said the youths and students in the North will wage a powerful struggle to rescue from fascist fetters Chong Min-chu and Yi Hye-chong. Pomchonghangnyon is proud of, in close unity with those in the South and overseas [sentence as received]. They will also continue the struggle until all the South Korean patriotic champions of reunification who are behind bars on unreasonable charges are released, she added.

Choe Chol-kyo, a delegate of the Overseas Headquarters of Pomminnyon, said they, who are active overseas for the country's reunification, will invigorate the struggle

for an early release of the arrested South Korean patriots and students and the abolition of the "National Security Law", an evil law, in solidarity with Pomminnyon and other organizations for reunification in the North and the South.

A letter to the arrested patriots of South Korea was adopted at the meeting.

DPRK: Hanchongnyon Students, Others Demand Passage via Panmunjom

SK1408010996 *Pyongyang Korean Central Broadcasting Network in Korean*
0024 GMT 14 Aug 96

[FBIS Translated Text] News just in from Panmunjom. News just in from Panmunjom.

At this moment in Panmunjom, the 100-member delegation of the North and overseas branches of the National Alliance of Youth and Students for the Country's Reunification [Pomchonghangnyon] is waiting to pass through Panmunjom to participate in the sixth grand reunification festival of Pomchonghangnyon due to be held in Seoul.

Yu Se-hong and To Chong-hwa, delegates of the South Korean Federation of University Student Councils [Hanchongnyon] representing the South headquarters of Pomchonghangnyon, are also at Panmunjom together with the Pomchonghangnyon delegations of the North and overseas.

They are making strong calls on the South side to promptly permit their passage through Panmunjom, to guarantee their safety, and to provide all necessary conveniences for their participation in the festival.

This was news just in from Panmunjom.

DPRK Dailies Denounce ROK for 'Checking' Pannational Rally

SK1008033696 *Pyongyang KCNA in English*
0300 GMT 10 Aug 96

["S. Korean Puppets Berated for Checking Pan-National Rally in Seoul" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 10 (KCNA) — Papers here today accuse the Kim Yong-sam group of South Korea of frustrating the Seventh Pan-National Rally scheduled to be held in Seoul.

In a commentary NODONG SINMUN says all the fellow countrymen have honestly hailed the projected co-sponsorship of the Seoul rally and made efforts for its successful opening.

As soon as the program of the seventh rally was made public, however, the Kim Yong-sam group began desperately trying to block it, the daily says, and continues:

With a few days remaining until the set date of the opening, the clique of traitors have still detained patriotic-minded champions of reunification including members of the South Headquarters of the National Alliance for the Country's Reunification who would sponsor the rally. They are also baffling delegates of the North and overseas sides from visiting Seoul to participate in the rally so that it cannot be held in Seoul. The whole nation will make them pay dearly for their indelible crime.

MINJU CHOSON says no matter how desperately the "civilian" fascist clique block the Seoul rally by dint of evil laws and at the point of bayonet, can they never arrest the march of the fellow countrymen towards the reunification of the country.

DPRK: ROK Denounced for 'Blocking' Hanchongnyon Visit to Seoul

SK1408105496 *Pyongyang KCNA in English*
1047 GMT 14 Aug 96

['S. Korean Authorities Denounced for Blocking Seoul Trip of Youth and Students From North and Abroad' — KCNA headline]

[FBIS Transcribed Text] Panmunjom, August 14 (KCNA) — A press conference was held at Panmunjom today concerning the fact that the South Korean authorities are blocking the delegations of the North and Overseas Headquarters of the National Alliance of Youth and Students for the Country's Reunification (Pomchonghangnyon) from visiting Seoul to take part in the sixth festival of Pomchonghangnyon.

Present there were delegations of the North and Overseas Headquarters of Pomchonghangnyon and Yu Se-hong, delegate of the South Korean Federation of University Student Councils (Hanchongnyon), which represents the South Headquarters of Pomchonghangnyon.

Yu made public a joint statement at the press conference.

The statement said:

The South Korean authorities are blocking the northern and overseas delegates, led by the welcome delegates of "Hanchongnyon," from passing through Panmunjom and going to Seoul, the place of the festival. This is an act going against the will of the entire fellow countrymen for reunification and the trend of history.

They totally blocked Yonsei University, the place of the festival, issued arrest warrants in advance for the delegates of "Hanchongnyon" who are supposed to guide the delegates from the North and abroad to Seoul, and are viciously suppressing "Hanchongnyon".

The first general meeting of Pomchonghangnyon, which has not been held ever since its formation in 1992 owing to the suppression by the South Korean authorities, will be held in Pyongyang.

The joint meeting of youth and students who inherited the spirit of the 1948 joint conference of political parties and social organisations in North and South Korea for the establishment of a reunified government will be held at Panmunjom here.

We will hold the Sixth Grand Reunification Festival of Pomchonghangnyon without fail, reflecting the desire of the 70 million fellow countrymen under the banner of Pomchonghangnyon, the vanguard unit of national reunification.

DPRK: ROK Foreign 'Plots' Against DPRK Denounced

SK1008033096 *Pyongyang KCNA in English*
0256 GMT 10 Aug 96

[FBIS Transcribed Text] Pyongyang, August 10 (KCNA) — The South Korean puppets are nowadays intentionally worsening the inter-Korean relations, openly engaging in all sorts of plots against the northern half of Korea even in foreign countries.

They have gone so far as to bribe foreign personages with money in an attempt to lay hurdles in the activities of the North's diplomats and discredit them.

This clumsy anti-DPRK campaign launched by the puppets on a new basis is a premeditated and stereotyped provocation to impair the image of the system in the North and undermine the reputation of the officials of the North.

It is already well known to the world that the South Korean puppets were put to shame when they spread a rumor of possible "terrorism" crying that the North was planning an "assassination" of someone, with Kim Yong-sam's tour of Southeast Asia in March this year as an occasion.

As such plots ended in a failure, the puppets this time are working zealously to hurt, by dint of money, the Northern diplomats abroad.

This shows that they have no intention to have negotiations with the North and their call for "dialogue" is nothing but a deceptive one.

To counter fire with fire is a steadfast will and revolutionary mettle of the Korean people.

If the South Korean puppets persist in doing harm to the Northerners abroad, we cannot but take a powerful countermeasure.

The puppets should clearly know that the North's counter-measure will include retaliation based on legitimate means and methods.

DPRK: 'Ship of Peace' Friendship Group Arrives From Japan

SK0908115196 *Pyongyang KCNA in English*
1056 GMT 9 Aug 96

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — A "ship of peace" youth friendship visiting group of Japan led by Tatsuo Hayashi, advisor to "ship of peace" and former representative of the International Volunteers Centre in Japan, arrived in Wonsan today by the ship Mangyongbong 92.

DPRK: Japan Denounced for Recruiting 'Reserve' Officers

SK1008043396 *Pyongyang KCNA in English*
0414 GMT 10 Aug 96

["Japan Brings Earlier Its Doom" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 10 (KCNA) — Some time ago, the National Defence Agency of Japan decided to recruit "reserve self-defence officers" among civilians from next year. Lurking behind it is Japan's heinous intention to extensively increase the numerical strength of the "Self-Defence Forces".

MINJU CHOSON says this in a commentary today:

The daily goes on:

Such moves of the Japanese reactionaries are aimed at laying the foundation to adopt the "conscription system" at a time of reinvasion as they did in World War II. This eloquently proves what extent their wild ambition to turn Japan into a military power has gone to.

Japan is trying to hold the position of "second super-power" through the conversion of Japan into a military power at any cost and, in reliance on it, realize its invariable ambition for overseas expansion.

These moves of the Japanese reactionaries arouse vigilance of the peace-loving people in Asia and the rest of the world.

Japan suffered a disgraceful defeat while getting hell-bent on overseas expansion in the past. Oblivious of this, Japan acts rashly, obsessed with fever for its con-

version into a military power and reinvasion. This will only result in bringing earlier its ruin.

DPRK: Japan Denounced for Proposing Fund To Pay 'Comfort Women'

SK1408091596 *Pyongyang KCNA in English*
0908 GMT 14 Aug 96

[FBIS Transcribed Text] Pyongyang, August 14 (KCNA) — The spokesman for the DPRK fact-finding committee on the damage caused by Japanese imperialist occupation of Korea issued a statement today, accusing the Japanese Government of making a fuss these days in a bid to resolve the issue of compensation to "comfort women for the Japanese Army" through payment of "temporary money" in the form of "national fund" to some surviving victims.

The statement says:

As far as Japan's crime against "comfort women" is concerned, the 52nd meeting of the U.N. Commission on Human Rights held in Geneva last March decided that Japan should admit its international legal responsibility for the crime against "comfort women" and, on the basis of this, make a state apology and governmental compensation.

Accordingly, Japan's legal and moral responsibility and obligation are so clear that they deserve no argument.

However, Japan is overtly opposing this stern decision and is running about to gloss over the heinous crime against human rights, which enraged people around the world, through the form of "national fund."

Far from admitting such a heinous unethical crime as the one against "comfort women" backed by the state power, the Japanese Government is resorting to tricks to evade its responsibility at any cost. This is a challenge to impartial international public opinion and an insult to human conscience.

The payment of "temporary money" is another heinous crime trampling down the dignity and honor of the surviving victims, whose number is not large, and an illegal act violating the spirits of the 200,000 "comfort women."

If Japan pays "temporary money" ignoring this fact and if there are some surviving victims who receive it, this will mean committing an indelible crime against the resentful "comfort women."

The Japanese authorities must clearly know that the lost dignity and honor of the women who were forced by Japan into subhuman sexual servitude can never be restored by some money offered to individual victims.

The criminal issue concerning "comfort women" cannot be resolved through hocus-pocus as wished by the Japanese Government. With no trickery can Japan evade its responsibility.

Japan is a criminal nation that imposed immeasurable misfortunes and sufferings on the Korean people.

The Korean people remember that Japanese imperialism committed outrages against Korean women by drafting hundreds of thousands of them as "comfort women" and inflicted all sorts of misfortunes and sufferings on the Korean nation.

The Korean people will make Japan pay for this without fail.

The DPRK fact-finding committee on the damage caused by Japanese imperialist occupation of Korea strongly demands that the Japanese Government admit its disgraceful past and its crimes and make an apology and compensation in the name of the state.

DPRK: Hwang Chang-yop Greets Arriving Turkish Delegation

*SK1008103796 Pyongyang KCNA in English
1015 GMT 10 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 10 (KCNA) — A delegation of the Workers' Party of Turkey led by Chairman Dogu Ferincek [name as received] arrived here today.

The delegation was greeted at the airport by Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea.

DPRK: Friendship Gathering Held With Brazilian Congressmen

*SK1008034596 Pyongyang KCNA in English
0246 GMT 10 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 10 (KCNA) — A friendship gathering with the visiting Brazilian delegation of national Congressmen from different parties was held at Moranbong Senior Middle School No.1 Friday [9 August] by the Korean Society for Cultural Relations With Foreign Countries and the Korea-Brazil Friendship and Cultural Association.

Invited to the gathering were members of the delegation headed by Valdir Colato [spelling of name as received], member of the National Executive Committee of the Brazilian Democratic Movement and member of the Chamber of Deputies.

Yang Tal-chu, vice-chairman of the society and concurrently chairman of the association, and other officials

concerned were present there together with teachers and students of the school.

The participants had sports games and appreciated an art performance.

DPRK: Brazilian Congressmen Bring Gift for Kim Chong-il

*SK1008035996 Pyongyang KCNA in English
0243 GMT 10 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 10 (KCNA) — The visiting delegation of Brazilian National Congressmen from different parties made a gift to the great leader Comrade Kim Chong-il.

Leader of the delegation Valdir Colato [spelling of name as received], member of the National Executive Committee of the Brazilian Democratic Movement and member of the Chamber of Deputies, handed the gift to Hwang Chang-yop, secretary of the Workers' Party of Korea Central Committee.

DPRK: Kim Chong-il Arranges Party for Chongnyon Credit Delegation

*SK1008035096 Pyongyang KCNA in English
0244 GMT 10 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 10 (KCNA) — The great leader Comrade Kim Chong-il arranged a party here Friday [9 August] in honor of a delegation of the Yamakuchi Credit Association of the Korean Bank under the General Association of Korean Residents in Japan [Chongnyon] led by managing director Yim Yang-sop staying in the socialist homeland.

Present at the party were Kim Yong-sun and other officials concerned.

DPRK Daily Describes 'Popular Leadership' of Kim Chong-il

*SK1308093196 Pyongyang KCNA in English
0925 GMT 13 Aug 96*

["Comrade Kim Chong-il's Leadership Is Most Popular" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 13 (KCNA) — The popular leadership of the respected Comrade Kim Chong-il is the most scientific and revolutionary guidance based on the absolute belief that the popular masses are almighty in the world and, if one relies upon their inexhaustible strength and wisdom and brings them into full play, he can easily carry out whatever difficult and enormous task, says NODONG SINMUN today in a signed article.

His popular leadership is fully displayed in that he works out lines and policies by consummating the will and desire of the people and in that he solves all problems arising in socialist construction by enlisting their inexhaustible strength and wisdom, the article says, and continues:

General Kim Chong-il always finds himself among the people to acquaint himself with what are in their minds, respects their opinions and correctly applies them in lines and policies of the Workers' Party of Korea.

His trait of popular leadership can fully be seen in the slogan "We serve the people"

Our people accept the lines and policies of the party as their own, absolutely support them and carry them out. They ascribe this to his noble popular traits of valuing their simple opinions and fully containing them in the lines and policies.

It is his unshakable stand that the strength and wisdom of the popular masses have no limit and there is nothing impossible in the world if their creative power is given full play.

He maintains the theory that the ideology of man decides everything, rouses the masses to action and leads socialist construction to an uninterrupted upsurge in such a political method as moving their hearts, not by money or by administrative and business methods.

His noble trait of popular leadership is fully displayed in his continued on-the-spot guidance.

DPRK: Unnamed Imperialists Denounced for Arbitrariness

*SK1008081396 Pyongyang KCNA in English
0759 GMT 10 Aug 96*

["Arbitrariness and Despotism of Imperialists Flailed"
— KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 10 (KCNA) — NODONG SINMUN today comes out with a signed article calling upon the progressive people of the world to oppose arbitrariness and despotism of the imperialists with the united efforts and struggle and actively promote democratisation of the international community including the United Nations.

Their arbitrariness and despotism is expressed in the fact that they are using their economic and military upperhand in unilaterally forcing their will and demands upon other countries and nations, the article says, and continues:

Their intention is to compel other nations to take a capitalist road and westernize the international community

by forcing their political and economic formulas upon them.

They continue producing, developing and deploying new-type nuclear weapons and modern military equipment so as to keep and consolidate their nuclear and military upperhand. However, they are doggedly opposing the moves of other nations to build up their independent military strength, crying "proliferation of mass destruction weapons must be prevented."

Lurking behind this is their ulterior intention to maintain their military monopoly and use their strength without restriction.

The imperialists put political and diplomatic pressure on those countries which do not meekly obey their orders but go against their will. And they set out blocking and stifling them economically and threaten them with military strength and thus bring them under their control.

They also unhesitatingly use Armed Forces.

The Korean peninsula is an epitome of their strong-arm policy.

They now act an "international judge". They meddle in all international matters, big or small. If they think there is anything different from the Western style, they arbitrarily criminalize it in an attempt to bring it before an international court.

Particularly, abusing their privileged position in the United Nations, they use a veto power against matters which are not suitable for their feelings or go against the grain with them, thus obstructing their solution. And they deal with important matters of the United Nations unilaterally in their interests and are opposed to its democratisation in every way.

All this is an international crime against global independence and democratisation of international society.

Arbitrariness and despotism are posing great threats and harmfulness.

The establishment of a new fair international order, equal international life and a new independent world cannot be expected as long as the imperialists persist in their arbitrariness and despotism.

DPRK Papers Urge Consolidation of Socialist Ownership

*SK1008085096 Pyongyang KCNA in English
0804 GMT 10 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 10 (KCNA) — Papers here today call for increasing the

dynamism of the independent economy and strengthening the economic fortress of socialism by consolidating socialist ownership.

This call has come in editorials dedicated to the 50th anniversary of the promulgation of the historic law on nationalization of major industries (August 10, 1946).

NODONG SINMUN says the feats the great leader Comrade Kim Il-song performed in the efforts to successfully nationalize industries and build a powerful country will as ever remain vital to accomplishing Korean socialism.

The daily stresses the need to complete the socialist cause of *chuche*, upholding the ideas and leadership of the great Comrade Kim Chong-il.

Strengthening the leadership of the party and the state for the economic construction and constantly developing public ownership is a revolutionary principle which should always be maintained in the efforts for the accomplishment of the socialist cause, the daily says, and continues:

With socialist construction being accelerated at a higher stage, we should further strengthen the party's political leadership and the state's centralised, planned guidance for the economic construction and manage the socialist economy to suit the intrinsic features of socialist society.

Public ownership is a socio-economic foundation of Korean socialism.

We should continue making efforts to bring cooperative property under public ownership, true to what Comrade Kim Il-song planned and intended in his lifetime. We should also prevent any tendency against the collectivist principle, the principle of developing public ownership, from coming into our society.

MINJU CHOSON says considerably increasing the dynamism of the independent economy through the consolidation of our socialist ownership is the way of smashing the moves of the imperialists and the reactionaries, satisfactorily ensuring the life of our people as required by socialist society and demonstrating the unquestioned advantages and invincibility of Korean socialism centered on the masses of the people.

South Korea

ROK: Remains of Five U.S., PRC Soldiers Unearthed Near DMZ

SK1408034296 Seoul YONHAP in English
0310 GMT 14 Aug 96

[FBIS Transcribed Text] Seoul, Aug. 14 (YONHAP) — The remains of five combatants believed to be Chinese and American soldiers killed in action during the 1950-

53 Korean war have been unearthed at a site near the Demilitarized Zone (DMZ) where restoration work was under way for wire fences washed away by torrential rains late last month, the Defense Ministry reported Wednesday.

Three remains presumed to be those of Chinese troops, one of an American soldier, and another of an unidentified soldier, were uncovered July 27 and Aug. 10 near the southern boundary of the DMZ 16km north of Yonchon, Kyonggi Province, ministry officials said.

Mao Zedong badges, a Swiss-made wrist watch, a lighter, a gold-plated fountain pen, notebooks, a pistol belt and combat boots were found with the Chinese remains, and dog-tags with those of the American.

There were fierce battles in the area where the remains were uncovered from July to November in 1952, including the so-called Old Valley and Porkchop Battles fought between the 2nd U.S. Infantry Division and the 113th Chinese Division and the Eri Hill Battle between the 45th U.S. Division and the 117th Chinese Division.

The remains are now being held at a South Korean Army Unit, and after the identification process is completed, will be repatriated according to the provisions of the Korean Armistice Agreement, the officials said.

It is, therefore, expected that the remains of the Chinese soldiers will be returned to China by the United Nations Command through the Military Armistice Commission (MAC), and that those of the American will be turned over to the United States in the near future.

The remains of twenty-eight Chinese troops were repatriated to China through MAC on five separate occasions between 1981 and 1989.

A 1954 MAC agreement calls for repatriating the remains of military personnel from either side through MAC chief secretaries.

ROK: DPRK Reportedly To Return ROK Novelist 'Shortly'

SK1408104196 Seoul YONHAP in English
1033 GMT 14 Aug 96

[FBIS Transcribed Text] Seoul, Aug. 14 (YONHAP) — North Korea said Wednesday it would repatriate the South Korean novelist who entered North Korea from China under alcoholic influence on July 31, possibly through Korea-China border shortly.

A North Korean official said in a telephone conversation with a South Korean liaison official at Panmunjom, "It won't take long. We can send him back in a couple of days or even right away."

Kim Kyong-ung, spokesman of the National Unification Ministry, said the remarks came when a South Korean liaison official inquired of his North Korean counterpart about the time of the repatriation of novelist Kim Ha-ki.

As to the way of his repatriation, the North Korean liaison official suggested that he would be returned through the Korea-China border by saying, "He would be sent back through the way he came."

Kim stepped out of a tavern in Yanji, Jilin Province northeastern China on the night of July 30 and has not been seen since. It is believed he crossed the Tuman River into North Korea near Hoeryong.

North Korea on Aug. 5 said Kim was under investigation for trespassing the border and on Aug. 13 said in a telephone message to the South Pyongyang plans to send Kim back to the South but did not say when and how.

ROK Ministry Reacts to DPRK Move To Release ROK Novelist

*SK1408011396 (Internet) The Digital Chosun Ilbo
WWW in English 1220 GMT 13 Aug 96*

[FBIS Transcribed Text] North Korea Tuesday afternoon announced through the hotline maintained between the South and North Red Cross at Panmunjom that it will return novelist Kim Yong (alias Kim Ha-ki) to the South. Kim was presumed to have crossed the Tumen River into the North on July 31 while intoxicated.

North Korea's Red Cross said in a telephone communique to the President of the South Korea Red Cross that even though Kim had committed a serious crime, in light of the fact that he had fully confessed to his crime and co-operated smoothly with authorities, Kim would be pardoned and returned in the name of brotherly love and humanitarianism. The communication did not mention the time, method and place of Kim's return.

A spokesman for the Ministry of National Unification said that it is encouraging that North Korea had responded sincerely to its request for Kim's return.

ROK Student Delegates Depart Panmunjom for Pyongyang

*SK1408072196 Seoul YONHAP in English
0711 GMT 14 Aug 96*

[FBIS Transcribed Text] Panmunjom, Aug. 14 (YONHAP) — Two South Korean collegians, illegal entrants into North Korea as representatives of the (South) Korean Federation of University Councils (Hanchongnyon), returned to Pyongyang Wednesday afternoon rather than Seoul as originally planned, from Panmunjom after attending a ceremony here.

In the morning at Panmungak, a pavilion in the North's side of Panmunjom, they held an independent opening ceremony for the seventh unification festival along with North Korean representatives, which was sponsored by the (North's) National Alliance of Youth and Students for the Country's Reunification (Pomchonghangnyon).

The duo — Yu Se-hong, 25, a senior at Chosun University, and To Chong-hwa, 22, a senior at Yonsei University — had originally planned to lead the North's delegation into Seoul through the truce village after the opening ceremony to let them participate in a similar function being illegally held in South Korea at the same time.

At the ceremony, with some 750 North Korean delegates and overseas Koreans attending, Yu called for a guarantee of safety for the North's mission, while To insisted on the abolition of the South's national security law.

After wrapping up the ceremony, the North Korean delegates held a rally to resolve loyalty at the Kim Il-song Memorial Monument Square in Panmungak.

Concerned authorities, meanwhile, have already obtained arrest warrants from the court for the two students on charges of violating the national security law.

ROK Police Disperse Yonsei 'Unification Festival' With Force

*SK1408082596 Seoul YONHAP in English
0819 GMT 14 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 14 (YONHAP) — Riot police dispersed student activists by force Wednesday afternoon, averting their attempt to push for the Pomchonghangnyon (National Alliance of Youth and Students for the Fatherland's Unification) "unification festival" at Yonsei University in western Seoul.

There were more than 6,000 riot police mobilized for the operation and nine police helicopters that dropped tear liquid and tear gas canisters.

About 2,000 students who barricaded themselves behind the main gate with chairs, basketball frames and used tires, countered the police wielding steel pipes and throwing molotov cocktails and stones. They also burned used tires. In the melee, a large number of both policemen and students were injured.

It was the third time in the country police have mobilized helicopters to disperse demonstrating students by force. The first occasion involved a 1986 Konguk University incident and the second the Pan-National Rally held at Seoul National University in 1994.

When the riot police rushed onto the campus at around 2:40 PM [0540 GMT], the students were holding a joint South, North and overseas students conference at the Engineering College Auditorium and "Unification Song Festival" at the outdoor theater.

ROK: Methodologies in Analyzing North Korea

962C0087A Seoul PUKHAN in Korean Jul 96
pp 168-181

[Second and last installment of article by O Ki-song, Institute of North Korea Studies researcher, in the "In-Depth Forum" column: "What Phenomenologic Methods Mean in North Korea Studies"]

[FBIS Translated Text]

Status of Phenomenologic Method in North Korea Studies

Methodologies of interpretative sociology attach importance to experiences of the subjective human realm, the world of mutually subjective life, and make possible their qualitative analyses. For such qualitative analyses, therefore, any type of data, if only available, can be put to practical use. Data are diverse indeed, ranging from historical data to various pieces of literature, records, visual materials, private notes, accounts by refugees or exiles, and to travelogues by foreign visitors.

In short, the question is: Do we have a view and technique needed to analyze them qualitatively? More importantly, there is a precondition to be met—namely, the posture of a phenomenologic approach, an approach to grasp the essence of phenomena while suspending judgment on semantic worlds of things which members of communist society see and understand, and the observer's or interpreter's value judgment on objects themselves—that is, suspending all judgment and views and holding them in a state of *epoche*. Through it, we can develop a penetrating eye to understand human life in communist society. If we build this ability through training, interpretative sociological approaches can make contributions of significant importance, it is believed.

It can be said that phenomenologic methods, which can be viewed as belonging to the methodologies of interpretative sociology, are suggestive about North Korea studies roughly in two points. The first point has something to do with the fact that Husserl defined phenomenology as philosophy, or the first philosophy, in the strict sense of the word. It can also be defined as the "position of researcher," and it does not relate to North Korea studies alone but has common applications in sociology, the science of various social phenomena. However, as stated above, ideological biases or

establishment-critical research in North Korea studies in the past, it is felt, were more instrumental to distorting facts about phenomena than to helping researchers grasp them. Therefore, one may say that exclusion and "suspension of judgment" for a general, hypothetical natural attitude as stressed in phenomenologic methods is an attitude for researchers to maintain, particularly in North Korea studies.

The phenomenologic suspension-of-judgment process demands understanding of the unique, living world that the doer forms in the process of his independent personal experience. It demands understanding not through an objective social system or any human relationship, but understanding of experience, sentiment, and meaning being made or felt in the doer's living world.

Therefore, phenomenology opposes scientific tenets designed to essentially circumscribe the truthfulness of sociology by the procedural regulations of natural science. It is because the methodologies of natural science fail to recognize semantic structures of human phenomena. In other words, human phenomena are absent in natural phenomena. This does not reject behavioristic interpretations of human behaviors. Phenomenologic approaches merely point out correctly the limits and blind errors of behaviorism. Behavioristic interpretations of human behaviors are correct and appropriate as far as they refer to the external indications of movements. But they are susceptible errors when they make an attempt to regard such external matters as the doer's act itself. The internal meaning of an act cannot be inferred simply from its external indications. Only by combining external and internal matters is it possible to completely understand the meaning of a human act.

Inasmuch as a political event has its meaning for the political doer, observation by a political scientist is certainly based on the interpretation of its meaning by the political doer himself. Therefore, phenomenology focuses on the *noesis* of human acts and social worlds. It is because human acts are based on *noesis*; strictly speaking, therefore, they are neither entirely external nor entirely internal. They are a combination of both. From this standpoint, phenomenology insists that scientific methods and techniques good for studies of natural phenomena are no good for studies of the *noesis* of human acts.

The second point of phenomenologic methods being suggestive about North Korea studies is related to research method. It is of course an extension of what was stated above. In other words, researchers of North Korean society should, in their position, basically divest themselves of their own values and prejudices, placing themselves in the subjective world of the other side.

This is the so-called empathy. As far as the exclusion of prejudice is concerned, it is indeed the same as the external approach method, and as the position of positivism in particular. But the difference is that in phenomenologic methods, researchers, while they grasp objects as they are, their interpretations depend thoroughly on the theoretical frameworks on which they are based.

From British empiricists to modern positivists, they all viewed sensory experiences as data or objects of observation. It is a reductionistic method originating in observation in natural science. For instance, what a positivistic observation of a person produces consists of such things as his physique and exterior, the color and design of his clothes, and his height and look. But a phenomenologic observation will additionally yield or suggest such things as his sturdiness, uneducated and unrefined behavior, handsomeness, lower-middle-class status, or his rejection of reality. In other words, the latter turns up what has been overlooked and unobserved because of the obstinacy of naturalism, despite the fact that it unmistakably exists. Its objects of observation and recognition include not only things that can be experienced physically and sensuously but also all levels of experiences that can be recognized as mental phenomena. This means expansion of the sphere of recognition. Especially, when applied to human and social observations, it makes it possible to recognize various living worlds that are impossible to understand by an obstinate reductionistic attitude.

Therefore, if this approach is applied to research on North Korean society, it will mark an attempt to grasp and interpret the nature of North Korean society based on the semantic world in which members of that society see and understand things.

In connection with this methodological question, it seems to be meaningful to take a look at the opinion of Mark E. Kann, who attempted to apply the phenomenologic methods to political science. According to him, phenomenologists, when explaining specific acts or events, are interested in the question of reconstructing various perceptions. Such reconstruction consists of phases as follows:

The first phase is empathy, a phase delicately receptive of the doer's diverse factors, including his pristine cognition, motive, intent, and environment. There are a variety of methods to develop empathy-based understanding. They include research of the doers' writings or words, interpretations of them by other persons, and living together or sharing conversations with them for a certain period of time. A more abstract way is to study their history and culture and understand their situation.

The second phase is theoretical interpretation. For interpretation of empathy-based understanding, we need standards by which to discern between truth and untruth. This does not mean, however, a separate existence of any objective general standards. All researchers can apply their private standards to certain degrees. Regardless whether the doers agree or not, they can adapt the empathy-based concepts to their own categories. At the same time, researchers systematize their standards so that they can connect them logically and apply them with consistency.

The third phase is ideological reconstruction. The true challenge of phenomenologic research is found in that it is a synthesizing process of reconstructing a deed and generalizing its characteristics in a way highlighting its meaning. It is an imaginative and creative process but attention should be paid to three guidelines. First, the work of reconstruction is to interpret a deed or a series of deeds from a specific perception while emphasizing logic connections between related deeds. Second, this work should be as comprehensive as possible. This type of reconstruction work should be able to make clear how such factors as the pristine cognition, motive, intent, and environment influence human acts. Third, when inquirers reconstruct deeds, they should maintain an experimental inclination. Imagination plays a big role in this area. It can be of help when referring to the eyes and techniques of great thinkers in dealing with realities, and in overcoming human limitations in the future.

The Living World and the North-South Heterogeneity Issue

(1) The Living World as the Basis of Theorization

Next, in connection with the day-to-day living world—to which phenomenology attaches importance—and political or social theories, we can draw out points suggestive of their relationships. This viewpoint means that phenomenology dealing with the daily living world has direct relationships with and importance to political or social theories. It is because phenomenology represents an attempt to strictly define the meaning of political and other specific human experiences in our daily life. However, the task of defining (describing) such human life has been ignored in the West European philosophy since Plato. Consequently, phenomenology today is directing major attention to *exploration* of the daily living world.

We can cite relationships between political or social theory and phenomenology in two areas. First, the living world is the basic mattress of all theoretical efforts, including political theorization. It holds a privileged position in the sense that all conceptual activities are based on the pre-conceptual world called the living

world. Husserl himself regarded the day-to-day living world as the most universal question of philosophy, and as the foundation of all theoretical work.

Second, the living world, as the object of all political theorization, is a historical, cultural, and social world including the whole real political existence. Phenomenology of the living world is the philosophy of social phenomena, in the broadest sense of the term "social."

The world as a whole consists of lower universes or lower worlds. Such worlds contain infinite realities. In other words, it contains as many realities as there is the order of experience. There is the world of individual views, the world of dreams, the world of children, the world of madmen, and so forth. Of such plural worlds of realities, realities of the day-to-day existence are related—directly, closely, and importantly—to political and social theories. It is the *archetype* of reality, and other realities are deemed its *modification*. This supreme reality of the day-to-day existence is characterized by work, namely, by an open act requiring physical exercise. In contrast to the world of dreams, the world of work is largely characterized by individual consciousness. That consciousness is helpful to what our acts demand. While work is most important in the composition of realities of the day-to-day existence, political acts and mutual interactions are inevitably based on acts of work.

(2) The Living World and North-South Heterogeneity Issue

Next, in connection with the living world, let us take a look at what it suggests for North Korea studies.

According to Husserl, the general thesis of the natural attitude is that you are receptive to things existing around you and take them for granted, harboring no doubts about them.

Everything that you take for granted is valid for everyone in the world around you. You experience, understand, and are receptive of them as human beings, and as the subject of ego like yourself. Also, you recognize the world around them and that around you as an identical world, grasping it as an identical world that all of us recognize in diverse ways. This world is what Husserl calls the "mutually subjective world" of the natural attitude which all recognize in diverse ways.

This mutually subjective world is our living world. This world which is taken for granted with no room for doubt in the natural attitude is the object of research in phenomenology. Husserl's phenomenologic attitude questions—through self-reflection—how this world is formed. The living world is social phenomena for sociologists to study. Their primary goal is in a way to systematize knowledge on social realities.

Within the living world, we, through the mutual exchange of viewpoints and generalization of the system of relations on identical objects, form thought objects that substitute for your and others' personal experiences. Suppose that you change your place with another person to see things from the same distance and by the same standards as he does, it is thought that you and he have chosen common objects, actually or potentially. Schutz calls this thinking process the general thesis of viewpoint or of mutual exchange. Part of the world that you take for granted is also taken for granted by him and by "us."

In the living world, manners and customs and traditional behaviors represent standardized knowledge of a highly socialized structure, which transcends your and your neighbors' private knowledge. It has its own history and constitutes part of our social heritage.

It is through interactions between individuals that all social systems are made. System is a complex of meanings given by human beings. The living world is in a way that complex. Within that world, you communicate—through language and other symbols—with other individuals. Words and phrases of the everyday language are standardized media through which socially-derived knowledge spreads out.

After all, the living world is an "active, social, and historical" world. Such characteristics of it are, as real existence, inseparable from one another, even if they can be distinguished conceptually from one another.

These days some scholars say that the heterogeneity that has developed between North and South Korea since the division has now reached very serious levels. They appear to be correct when North and South Korea are compared horizontally. A vertical, or historical, look at the ROK society could after all show an irrecoverably advanced case of heterogeneity. From the viewpoint of the long national history, the present North-South division and heterogeneity could be temporary phenomena. From a macroscopic viewpoint of the past and future, the present level of North-South heterogeneity is a thing that can definitely be overcome.

When we view these aspects of North and South Korea in the light of Husserl's living world, it seems possible, first of all, to draw a line between the predivision one-nation living world and the postdivision North-South living world. In the predivision living world, the one nation had formed one social system through interactions among individuals; manners and customs and traditional behaviors had thus been formed. In contrast, in the ruptured postdivision living world, the different ideologies and leaderships led to the different

social systems, a fact responsible for the emerging heterogeneity between the two parts.

However, as stated above, manners and customs and traditional behaviors represent standardized knowledge of a highly socialized structure, and they publicly exist in North and South Korean societies. In short, as South Korea preserves the national culture, North Korea is striving to preserve it. We see parts of that effort in such areas as folk protocols, the original Korean language, and translations of classics. It should be noted, however, that while there have been partial changes in the national culture in South Korea under the influence of a capitalist social system, there must have been similar changes in North Korea, too, under the influence of a socialist social system.

After all, the fact that there can be more of homogeneity or commonness between North and South Korea than heterogeneity, means that relatively a great deal of the homogeneous living world can exist despite the division. In other words, a great deal of mutually subjective aspects are preserved and, therefore, can be discovered, it can be said. This promises a favorable prospect for phenomenologic approaches that view the living world as the basis of theorization. Especially, a phenomenologic approach typically shows its importance in research on North Korean society's traditions, manners, and values, it can be said.

Feasibility of Methodological Grafting in North Korea Studies

As is known to all, socialist-system nations, including North Korea, are molded in socialist ideology in many areas, unlike capitalist-system nations like South Korea. On the other hand, North Korea, unlike other socialist countries, maintains its unique traditional elements and special historical characteristics. Among such elements are: the politico-cultural legacy from the traditional society of the late Yi dynasty in Korea, the political culture left behind by imperialist Japan (especially, the personality cult similar to what Japan had for the emperor), the shock from the Korean war, and the isolation from the outside world.

Especially, traditional elements such as the general inclination for authoritarianism, the inclination for a patriarchal family system, the doctrine of benevolence, and nepotism were all employed and skillfully used to form the backgrounds of Kim Il-song's authoritarian and yet family-based power. Moreover, besides its general effect of further strengthening the authoritarian element of the past, the experience as a colony of Japanese imperialism led to the planting, and successful use, of a new concept of the state similar to that based on the emperor system and nepotism.

From the viewpoint of its patriarchal family system, it can be said that in North Korea, the whole society is one family ruled by Kim Il-song, the patriarch. This can be fully proved by the single fact that the word "father" is used for one of his titles. In addition, he now transferred his power to his son, an act evidently symbolizing nepotism. Further, the WPK is the "mother" and various structures within the WPK constitute the "mother's bosom."

Therefore, as for the chuche ideology, it is imperative that it is adhered to because it is Kim Il-song's ideology. The same goes with the doctrine of benevolence. Such acts as devotion to work and self-sacrifice for the collective are supposed to be phenomena occurring spontaneously among the people admiring Kim Il-song's benevolence and willing to repay it.

However, how thoroughly the chuche ideology is practiced as socialist ideology, varies by the sphere of life, it can be said. On one hand, the influence of socialist ideology could be relatively weak in the sphere of private human relationships such as parents and children, teachers and students, men and women, and relationships among friends; the sphere in which the influence of tradition remains strong, including food, clothes, and holiday customs; the sphere of research mode and terms of natural science in which the universality of modern science and technology prevails relatively strongly; and in the sphere of industrial civilization such as medical technology and technological equipment. On the other hand, the regulatory power of ideology can be relatively strong in the spheres closely connected with socialist construction and the pursuit of communism, such as political and economic structures.

Therefore, in our research on socialist systems such as North Korea's, we should recognize that the internal approach method is more appropriate in some areas but the external approach method is more effective in other areas. Further, we should constantly conduct a self-critical review as to which method is more effective in one or another area and, at the same time, examine in depth the feasibility of mixed use of the two methods.

1. Feasibility of a Mixed Use of the External Approach Method

By fully utilizing the external method, we will be able to attempt a more persuasive approach to prospects of change in North Korean society. In other words, with the fact in mind that North Korean society has both *gemeinschaft*-type elements and traditionist elements like asceticism, it can be said that in our research on the survival of such traditional elements, we can invoke the tradition theory and the discord function theory in past and present dimensions, thereby casting light on

the nature of North Korean society. And by invoking the discord function theory and the pluralistic collective discord theory on one hand, and the elite theory and the convergence theory on the other, it is thought that we will be able to pursue prospects of change.

First, let us examine the survival of traditional elements through the tradition theory.

Generally, the tradition theory is based on the assumption that society lagging in modernization carries on its own historical and cultural traditions and that moreover, such traditional elements will have their influence on communist revolution, and on the establishment and developments of the succeeding regimes.

In North Korea's case, the sources of support for it in the past were the Soviet Union, China, the experience as imperialist Japan's colony, and the history of the traditional society of the late-era Yi dynasty in Korea, it can be said. In the past, North Korea championed Marxism-Leninism. It introduced a socialist system and practiced extreme isolationism, reconstructing a modern, traditional society. As a result, the authoritarianism, the patriarchal authoritarianism, the doctrine of benevolence, and nepotism of the past still remain intact in North Korean society. Also, a big *gemeinschaft*-type society was structured through the concept of the state based on the emperor system and nepotism, patriarchal nepotism, and authoritarian political culture. At the same time, although North Korea advocates technological development, scientization, rationalization, and modernization, it actually resorts overwhelmingly to sentimental, irrational approaches.

Next, let us examine the nature of North Korean society by the discord function theory.

In the past, Kim Il-song instilled the people with the self-reliant identity consciousness (*chuche*) of the North Korean regime by skillfully using—or expanding and stressing—external troubles, actual or potential. He made the wall higher against other collectives, even choosing isolation to that end. He heightened the one-for-all-and-all-for-one concept of the collective to consolidate the unity. Thus, he succeeded in strengthening the centralization of power, the mobilization of energy resources, and the social participation of members of the collective.

Meanwhile, within the North Korean regime, the degree of generosity for deviations from its norms was harshly reduced and those involved were ruthlessly purged; norms favorable for the regime were reaffirmed to promote solidarity. At the same time, new norms like the *chuche* ideology were institutionalized to successfully build up the dictatorship. Theories based on this view-

point, although not very useful to understand changes in North Korean society, can be said to be very useful to understand Kim Il-song's method of rule and his extended rule. Especially, Duke's model seems pertinent to research on North Korean society. It can be applied as follows:

With North Korea, collectives seen as sources of external friction are the two foreign countries—Japan and the United States—and South Korean authorities whom it views as dependent on the United States and acting as puppets. It has been intensifying antagonism against them by digging up past experiences of Japanese imperialist rule, the Korean war, and the subsequent USS Pueblo incident and making people studying them repeatedly in the name of "memoir study."

It inspired enmity against such external collectives, creating the possibility of hostile acts against them as seen in such brutal incidents as the Panmunjom axing atrocity, the Rangoon explosion, and the KAL jet explosion. It calls for thorough respect for norms within its own collective; however, it is indifferent to—and sometimes even encourages—immoral acts toward external collectives (smuggling incidents, defaults on foreign loans).

In this process, Kim Il-song continued to lay the foundations to ensure the security of his power and its effective use. In other words, he promoted homogeneity in values, first by Marxism-Leninism, then by the *chuche* ideology. At the same time, he, regarding the past era of misery and difficulty as the rallying point, kept the people remembering it. He thus brought them to believe that thanks to the socialist reform, they basically had fulfilled their desire for liberation from the persecution and poverty of the past. In addition, he used purge and appeasement, and personal connections with relatives and ex-guerrilla colleagues, to build up his support base, achieving the unity of social forces and creating institutional conditions against radical, social change.

This process can be summed up as follows:

Duke's Model: Fitting Conditions for Effective Use of Power

Institutional conditions:

- common values (homogeneity): *chuche* ideology
- attainment of fervent desire: memoir study → socialist reforms, consciousness of the attainment
- solidarity of social forces: purge, appeasement, structuring of nepotism-based support base
- slow social change: inflow of information impossible

The above result in low awareness of discord
(little feeling of exploitation). I

This in turn leads to legitimacy.

I

And eventually to consolidated power (stable and effective). Next, let us examine change in North Korean society by the convergence theory and the pluralistic collective discord theory on one hand and the elite theory on the other.

Generally, the convergence theory stands on the hypothesis that inasmuch as change in communist society, like change in noncommunist society, takes place chiefly as a result of industrialization, all societies will eventually transcend ideological differences and become globalized industrial or advanced industrial societies, and that the world will thus take on the features of homogeneity.

Meanwhile, the pluralistic collective theory and the elite theory center on the diverging or pluralization of political collectives as a result of the political society's bureaucratization. They represent approaches for comparing communist society and a free democratic system, with the focus on relationships among various elite or interest groups in the decision-making process.

These theories, when applied to North Korea studies, show that North Korean society, under the influence of the early Soviet-style modernization, had pursued the Stalinist totalitarian model and industrialization strategy. Later, it shifted to the Mao Zedong model of communization. But when the Sino-Soviet disputes emerged in the mid-1960's, North Korea proclaimed its "independent line."

Subsequently, however, Kim Il-song had to face the inevitability of openness, although on a limited basis. And he opted for open policy in limited areas, in the direction of safeguarding the system, which after all led to the issue of industrialization.

On the other hand, even under a free democratic system, there is a difference of opinion between pluralists and advocates of the elite. And under a communist system too, while it apparently is centralist, various interest groups emerge, giving rise to the rationalization of the elite in the process of bureaucratization.

Needless to say, in North Korea's case, it removed elements of discord by purging dissenters in the course of establishing its regime and consolidating Kim Il-song's dictatorship. It thus formed a blood pledge-type, kith-and-kin-type elite structure. This eventually removed the possibility of a discord function within the collective. But the possibility of potential discord can still exist. For instance, there can be discords between party cadres

and professional elite groups. Other factors involved include the emergence of technocrats in connection with open and reform policies and the degree of the military's support for Kim Chong-il.

2. Feasibility of Grafting Between Phenomenologic and Other Methods

As stated above, phenomenology pursues, above all, the essence of theorization as an activity. Therefore, in North Korea studies, the phenomenologic method constitutes a theoretic premise for other approach methods. From this viewpoint, we can use the phenomenologic method as the primary premise along with the interview method and the questionnaire method, in North Korea studies. "A Study of Human Nature of North Korean Residents" by So Chae-chin is a research based on interviews with defectors. It is of course a listing of testimonies rather than an example of the interview method. However, in addition to defectors' testimonies, it seems to show an effort to ascertain the objectivity of data. Also, in "Research on Corruption of North Korean Bureaucrats" by Kim Song-chol, specific data used of the types of corruption consist of scattered references in notes by defectors and interviews with them. In those interviews, the author asks the same or similar questions repeatedly to enhance reliability in an attempt to overcome the limitations coming from the extremely limited availability of unofficial data to bolster official documents.

In addition to these approaches, we can use systematic interviews and the questionnaire method, it is believed, to obtain relatively objective and factual data. In other words, by examining demographic characteristics of defectors since 1953 by the year of defection (namely, classifying them by a five-year or 10-year period or by major incidents involved), considering the histories of residence in South Korean society, and by cross-referencing them with various problems about North Korean society, we will be able to approach the true nature of North Korean society to a certain extent.

The next question is about the grafting of the phenomenologic method with the comparative historical and cultural approach methods. As aforementioned, it is of course an attempt at a comparison between systems or an intra-system comparison premised on the phenomenologic method.

As stated above, North Korea today is a complex of two elements—general attributes common to communist systems and traditional elements. Although it is impossible to separate them from each other, we still can draw a comparison between elements of historical context and those of cultural context, on the premise that they are intermixed. In short, as for characteristics of

North Korea's political power structure, it is possible to get a true picture of them through comparison with the political structure of the Yi dynasty in Korea, and with the Japanese emperor system. Also, a comparison with Korean nationals in China will be helpful to the understanding of North Korean society. Especially, in the period from late 1945 through the 1980's, when China was hostile to South Korea but a close ally to North Korea, Korean nationals in China had no alternative but to confine their concept of motherland to North Korea. Amid the Cold War-era international relations, Korean nationals in China were forced to follow the definitions by North Korea over all national elements connected with the national identity as pursued by China under its nationalities policy. Most typical of such elements was the language. The official language system, viewed as the most important key to the preservation of their national identity, is thoroughly based on the North Korean grammar. It is the same with terms used. North Korean influence prevails in unofficial spheres too. For instance, clothes they refer to as the traditional women's garments are the North Korean-style "improved" versions, which are vastly different from national women's costumes in South Korea.

In the 1960's, North Korea was the only country which Korean nationals in China could visit and do business with; since China and North Korea were both socialist countries, they could not but view North Korea as their sole motherland and have amicable feelings toward it. Economically too, prior to China's opening to the outside world, North Korea enjoyed higher ratings not only in per-capita national income but in the day-to-day living conditions too. Many Korean nationals in China

went to North Korea for study. Exchanges with North Korea increased and barter trade thrived in frontier areas. Besides such realistic interests, Korean nationals in China supported North Korea during the Korean war. This inevitably heightened their feeling of bonds with North Korea. In contrast, toward South Korea, they were educated to view it as an enemy nation, an object to positively overthrow. And with regard to the actual situation in South Korea, all they could know was through the distorted North Korean propaganda. Needless to say, their perception changed and they became critical of North Korea as Sino-South Korean economic exchanges began and visits with relatives in South Korea were authorized under China's openness and reform programs. They began to see South Korea as their motherland and develop amicability toward it.

Thus, North Korean influence over Korean nationals in China had great effects on their thoughts and life-style, it can be said. Especially, it should be noted that as a result of personal and material exchanges between them and North Korea through the mid-1980's, significant degrees of social similarities remain between the two in educational, linguistic, and other areas. According to some, the number of those who either returned to China after visiting North Korea or stayed on in North Korea is approximately 100,000 or more. This seems to indicate that considerably large portions of those currently residing in the frontier areas have experienced life in North Korean society, and that data obtained through them therefore could be greatly helpful for a successful approach to or research of North Korean society.

Burma

Burma's ASEAN Application Receives Malaysian Support

MS1408090396 London *FINANCIAL TIMES*
in English 14 Aug 96 p 5

[Report by James Kynge: "Malaysia Spurs Burma's Bid to Join Asean"]

[FBIS Transcribed Text] Kuala Lumpur — Efforts to accelerate Burma's admission as a full member of the Association of South East Asian Nations received a boost yesterday after Rangoon welcomed a Malaysian proposal it should be allowed to join the Asean club next year.

Mr Ohn Gyaw, Burma's foreign minister, said Rangoon wanted to become a full Asean member "as soon as possible". He supported a new proposal by Dr Mahathir Mohamed, Malaysia's prime minister, that the country should join at Asean's 30th anniversary celebrations next year.

Burma was sworn in as an observer member of Asean in Indonesia last month, preparing it for full membership by 2000. Dr Mahathir's suggestion to speed Burma's entry carries special weight because Malaysia is present chairman of the Asean standing committee, meaning it will host and chair next year's anniversary meetings.

The move to welcome Burma early into Asean is sure to provoke concern in the European Union and the U.S., which have sharply criticised Burma's human rights record and its alleged tolerance of drug-trafficking activities. But Asean, which groups Malaysia, Singapore, Thailand, the Philippines, Brunei, Indonesia and Vietnam, has made it clear western views of its membership will be disregarded.

Mr Ohn said Burma was ready to abide by Asean commitments on liberalising trade but did not give details. Vietnam, when it joined last year, was allowed until 2006 to lower most of its tariffs to less than 5 per cent, three years beyond the 2003 deadline applied to other Asean members. It is likely that Burma will receive a similar concession.

The west and Japan want Burma's military government, the State Law and Order Restoration Council (Slorc), to engage in meaningful dialogue with Ms Aung San Suu Kyi, the opposition leader whose National League for Democracy won an election in 1990 which was annulled by the military. But Mr Ohn ruled out yesterday any chance of talks with Ms Suu Kyi, whom he blamed for the country's problems.

Brig-Gen David Abel, Burma's minister for national planning and economic development, said Rangoon

was not worried by the recent departure from Burma of multinational investors such as the Danish brewer Carlsberg and Amsterdam-based Heineken. He claimed other foreign brewers were ready to take their places, but did not give details.

Burma: Editorial Hails Rangoon-Kuala Lumpur Strong Ties

BK1308111696 Rangoon *THE NEW LIGHT OF MYANMAR* in English 13 Aug 96 p 6

[Editorial: "Brother Nations"]

[FBIS Transcribed Text] Regional neighbours, near or distant, qualify to be brother nations for the simple reason that they share common regional identity, culture, and other aspects of civilization.

As this leader goes to press, the Chairman of the State Law and Order Restoration Council Senior General Than Shwe and Madame Than Shwe, together with their entourage, have begun their State visit to Malaysia at the invitation of Their Majesties Yang Di-Pertuan Agong Tuanku Ja'afar Ibni Al-Marhum Tuanku Abdul Rahman and Raja Permaisuri Agong Tuanku Najihah Binti Al-Marhum Tuanku Besar Burhanuddin of Malaysia.

Reflecting the growing friendship and understanding between Malaysia and the Union of Myanmar [Burma] and two peoples, the visit will further promote close ties and cooperation and forge mutually beneficial links in trade and investment.

It is to be noted that as a traditional trading partner and currently an emerging new industrialized country, Malaysia can share the valuable experience to the Union of Myanmar which has recently established a market-oriented economy.

The Myanmar goodwill delegation looks forward to exchanging views on the subjects of trade and investment while sustaining efforts to promote close relations between the leadership of the two countries.

As an observer nation of the ASEAN, Myanmar will also undertake to implement the principles and objectives of the Association in due consultation and cooperation with the chairman of the Standing Committee for 1996-97.

The Myanmar delegation will be visiting the industrial and cultural sites as well as developmental projects both in Kuala Lumpur and Penang. In order to consolidate progressive bilateral cooperation between the two countries, an Agreement on Economic, Scientific, and Technical Cooperation will be signed during the visit, says the arrival statement of the goodwill delegation.

Myanmar and Malaysia also share common ideals and have always worked for the promotion of mutual benefit as evinced by historic records.

We are confident the State visit of the Myanmar goodwill delegation will add to the further cementing of already strong ties.

Burma: Article Mocks Heineken, Carlsberg Beer Companies' Decision

BK1308161096 Rangoon MYANMAR ALIN in Burmese 13 Aug 96 p 4

[Article by Byatti: "Can Drinking Beer Gain Human Rights?"]

[FBIS Translated Excerpt] It was heard in the first week of July. Some human rights organizations had pressured the Heineken Beer Company to withdraw its investment in Myanmar [Burma], and the world-famous Heineken Beer, fearful of a consumer boycott, decided to withdraw its Myanmar investment. The company's news release in Amsterdam noted that the decision was due to the fear that the Myanmar investment could taint their reputation.

Like the Heineken Beer Company of the Netherlands, the Carlsberg Beer Company from Denmark was also facing pressure from the Danish-Burma Committee [preceding committee name in English], a new anti-Myanmar government expatriate group. That company also withdrew its investment, stating that the Danish government had urged the EU to impose economic sanctions against Myanmar because of the death of their unscrupulous, unofficial, honorary consul in Insein Jail.

Although the aforementioned acts could be seen as mere trade sanctions, it was, in fact, a psychological warfare tactic used against Myanmar. Without any knowledge of the Myanmar mind and tradition, this psychological tactic could only be fruitless — because, clearly, the people of Myanmar will not crave beer as long as Myanmar has toddy palms that produce toddy juice. [fermented toddy juice is a drink similar to beer] [passage omitted explaining Burmese tradition and culture, citing passages from books]

The word "arnar" [to be considerate of other's feelings] exists only in Myanmar traditional circles, and that arnar aspect of the Myanmar character is hard to understand. Arnar is a very gentle practice, and those who want to know about Myanmar and wish to use a psychological warfare tactic should be aware of that.

The withdrawal of the beer companies is of no concern to the Myanmar people, as one can see once one realizes and understands the true Myanmar culture, character, and tradition. Sores will not appear on one's tongue if

one fails to drink beer — especially Carlsberg Beer, whose advertisement is out of line. The Carlsberg advertisement with its background of pagan chedis [temple spires] has had a reverse effect [preceding two words in English], inclining the predominantly Buddhist Myanmar customers to refrain from drinking it.

The Heineken and Carlsberg beer companies, concealing their loss of competitive edge to other brands and low economic viability, have chosen the "path of retreat" citing democracy and human rights. These acts are considered an indirect insult to Myanmar.

Arnar is part of the Myanmar tradition. The Myanmar people are traditionally hospitable and practice Buddhist philosophy everywhere. They are grateful, and have consideration even for their rivals.

But apart from a sense of shame, pride, and self-respect, the people of Myanmar possess national pride [preceding two words in English] — which do not concede to insult and intimidation.

What is wrong with the mouths of the beer drinkers of Myanmar, for the Dutch and Danish beer companies to say that the sale of their beer in Myanmar could taint their reputation?

That is why, in succinct retaliation to the acts of the Heineken and Carlsberg beer companies, the Ministry of Finance and Revenue issued Notification No. 156/96 on 5 August 1996 halting the importing of the aforementioned beers.

It was welcomed by the Myanmar public. Some shouted patriotic slogans, while others said: So what if we don't have beer to drink? Whatever the case, if someone asks whether drinking Heineken or Carlsberg beer can gain human rights, the beer companies will not be able to furnish an answer.

Burma: Aung San Suu Kyi on Politics, Economics

BK1408041096 Bangkok THE NATION in English 14 Aug 96 p A4

["Excerpts" of interview with Aung San Suu Kyi, leader of National League for Democracy of Burma, granted to THE NATION correspondent Rita Pattiyasewi in Rangoon — date not given]

[FBIS Transcribed Text] [THE NATION] It has been a year since your release. Do you think things have changed in Burma?

[Suu Kyi] There have been changes, although not necessarily the kind of changes that we want to see. But certainly things have not remained stagnant. There have been a number of changes.

[THE NATION] Let's put it this way. Have there been big changes at all?

[Suu Kyi] Well, there have been changes within the National League for Democracy (NLD). We have reorganised and reactivated it despite the continued repression from the authorities. We are making headway in our own plans. So, we can call that a positive change.

[THE NATION] What about the crackdown in late May? Do you consider the arrest of a number of NLD members a setback to your plans?

[Suu Kyi] No, that was not a setback because what the recent crackdown indicated was that they have to reckon with the strength of the NLD. It demonstrated very clearly the nervousness of the authorities. After all, we were planning a conference of about 250 people, a very small conference at that. The fact that such a small conference made the authorities so nervous reveals their position more than it reflects any weakness on our part.

[THE NATION] What made them so nervous?

[Suu Kyi] They know we have the support of the public at large, that the Burmese people in general want a political system that will guarantee their security and their freedom, and that they are behind the NLD now as they were in 1990.

[THE NATION] You have been calling for international sanctions against the regime. Do you think your call has been well received by the international community?

[Suu Kyi] We did not call for international sanctions to begin with. But we now endorse the idea of international sanctions because we have come to the conclusion that investments in Burma have not in any way helped the people in general nor has it helped the course of democracy. Our main worry about sanctions previously was that this might harm the people of Burma, that it might have adverse effects on the public at large. But we have come to the conclusion that investments in Burma have so far not benefited the majority of people.

There are few people who have benefited from these investments. In fact, it has only made the privileged elite even wealthier. So we do not think that sanctions will hurt the people and that is why we support the idea of sanctions.

[THE NATION] Carlsberg and Heineken have decided to withdraw from Burma. Do you think it's a direct result of your endorsement of sanctions?

[Suu Kyi] I don't think it's a direct result of my endorsement of sanctions. I think it is as a result of the actions taken by the State Law and Order Restoration Council (SLORC) over the last few months. I think people are beginning to see that repression is increasing

and not decreasing in Burma and also that the climate is not right for investment. I think businessmen decide for themselves whether or not they should invest. Very few businessmen decide to disinvest for political reasons.

Of course, these two are connected. Where there is misgovernance, there cannot be a proper climate for economic development. You cannot have development and growth when there is such gross misgovernance and no economic security of any kind.

[THE NATION] What would you like to tell the people who continue to invest, and those who want to invest, in Burma?

[Suu Kyi] We had said before, and I repeat, that investments are not going to bring in the kind of results that we want. In order for investments to bring in long-term returns there has to be — as a basic necessity — rule of law because those who invest and those who engage in economic activities have to know what their rights are. They also have to be confident enough that their rights will be protected by the law. But in a country where there is no rule of law, nobody knows what their rights are. Even if they have been given certain privileges, nobody knows how long these will last. They cannot be sure that these privileges will not be withdrawn the very next day.

[THE NATION] Burma has been given observer status in ASEAN. Does it worry you?

[Suu Kyi] Not necessarily. We knew at the last meeting that they were going to give Burma observer status. It wasn't a surprise to us at all. Being an observer speaks for itself. So what?

[THE NATION] Now that Burma has been given observer status by ASEAN, it is only a matter of time before it will be allowed to join the regional grouping. What is your response to that?

[Suu Kyi] We have always said that Burma, in its present situation, cannot be accredited in the region. I do not think Burma under this regime will be in a position either to contribute towards peace or prosperity in Southeast Asia.

[THE NATION] What should ASEAN do then?

[Suu Kyi] It's not for me to tell them what to do. I think it is for ASEAN to recognise the fact that for the sake of harmony and prosperity in this region they should take a firm stand with regard to countries where the internal situation is such that there can be neither harmony nor prosperity.

[THE NATION] That means ASEAN will continue to exercise the so-called constructive engagement policy which you oppose.

[Suu Kyi] We have never said that we are opposed to constructive engagement. What we have said is that constructive engagement should genuinely be constructive, with both sides taking part. Otherwise, one cannot call it either constructive or engagement.

[THE NATION] And you don't see anything constructive with this policy, do you?

[Suu Kyi] We do not see anything constructive in it and I think this is why the international community pays more attention to what we are saying now. Since last year, we have been saying that there has been no progress towards democratization. In addition to this, I think the world is beginning to see that there has been no change in SLORC's attitude towards those who do not agree with them. They believe in annihilation, attack, crushing and all these related words. You must have read those signboards — enemies, destructionist . . . what not . . . I think the increased interest of the international community in Burma and the increased support for our cause owes a lot to the actions of SLORC itself.

[THE NATION] The ASEAN countries claim they prefer quiet diplomacy in helping to bring about democracy in Burma. Do you think there is such a thing as quiet diplomacy going on now between the junta and ASEAN countries?

[Suu Kyi] Well if it's quiet, we don't get to hear about it, do we?

[THE NATION] Have you given up hope on Thailand?

[Suu Kyi] No, it's not that. It's not that we have given up hope on Thailand or on anything. We believe in depending mainly on ourselves. We also believe in getting as much international support as we can. Because ours is a just cause and we do not think there's anything wrong with trying to support a just cause. But our main strength lies with us here inside the country. And when I say I have no expectations, it doesn't mean that we think the Thais will never achieve anything. It's just that we don't put our expectations on others.

[THE NATION] Do you think your influence on the Burmese public in general is as strong as it used to be?

[Suu Kyi] I have never thought that I had personal influence on the Burmese public as such. I have influence only as somebody working for the democracy movement. I do not believe in trying to maintain or promoting personal influence — that is not the democratic way. What we want is support for movement of democracy, not support for myself as an individual.

[THE NATION] Canada has proposed the idea of putting up a contact group, but this idea was shot down by ASEAN. Do you think it's a good idea?

[Suu Kyi] I am not sure about the details but I have such a vague impression of what the contact group is meant to be and how it is expected to operate that I can't really make any meaningful comments on it.

[THE NATION] Will the NLD go ahead with the drafting of a rival constitution?

[Suu Kyi] I don't think that I agree with the word rival, but we are going to carry on. We are going to carry on with the responsibility that was given to us by the party congress to draw up the draft constitution.

[THE NATION] Is there a new middle class in Burma now that may be an agent of change some time in the future?

[Suu Kyi] I don't think there is a new middle class in Burma. There is a commercial class and, as I said earlier, there is a very privileged elite. There is no such thing as a new middle class because if there was then civil servants should belong under this classification. But when you look at the situation of the civil servants in Burma, you can see that they cannot possibly be classified as part of the middle class, especially under such a system. If the civil servants were to live within their official salary, they would sink right into the level of the lower classes because they are so badly paid. And as for those civil servants in a position to receive bribes, they have become so wealthy they are right in the upper income bracket. So I would have thought that under the present system, the middle class is weak than it has ever been.

[THE NATION] How do you see the future of the NLD?

[Suu Kyi] We will carry on with our work. We are a political organisation and we expect our future to be that of an honourable political organisation.

[THE NATION] When he was in Jakarta for the ASEAN meetings, Foreign Minister U Ohn Gyaw said that it was only a matter of time before SLORC would transfer power to an elected government after the constitution is completed. What do you think of that?

[Suu Kyi] We don't really put too much importance on promises made by SLORC because they rather have a habit of breaking promises.

[THE NATION] So that means the military will hand over power?

[Suu Kyi] According to the constitution, the military will have the right to take over power any time. So it's a

constitution that is a regression rather than progression towards democracy.

[THE NATION] Do you believe in the theory that economic growth would eventually bring about political liberalization?

[Suu Kyi] No I do not.

[THE NATION] Not in the case of Burma.

[Suu Kyi] Not in the case of any particular country. I don't think there's any proof that economic liberalization automatically leads to political liberalisation.

[THE NATION] Do you think the international reaction to the recent crackdown on the NLD by SLORC is too mild?

[Suu Kyi] No, I think it was strong. I don't think people have heard of Burma before. But the crackdown by SLORC attracted so much international attention. And I don't think there has been such extensive news coverage on Burma.

[THE NATION] What kind of message have you been sending out to the people attending your weekend rally?

[Suu Kyi] We don't have just a single message as such. We like to think that our rallies are, in fact, a kind of democratic forum where we discuss political, social and economic issues and other things of interest to our country. And I generally respond to letters that come from the people. So if there is one message, I suppose it centres on encouraging their participation in the endeavour to bring about democracy. They should not just depend on the NLD and me.

[THE NATION] What about younger people? What is the level of political awareness that you think they should have?

[Suu Kyi] I don't quite know what you mean. There are, of course, some who say that younger people now are less politically aware than younger people in 1988. I don't think this is quite so because in 1988 our young people too were not allowed freedom of thought. The kind of political awareness they had then was one that was generated by the Burmese way to socialism. I don't know whether that really made them politically aware. Nowadays, I think there are young people who do not have much time for, or interest in, politics because of economic difficulties. You have probably heard that more children are working in Burma. There are more child labourers in Burma now than there used to be. And as for teenagers in schools and in universities, they are facing so much repression now than before.

[THE NATION] Are they better organized now than before?

[Suu Kyi] Again, I'm a little surprised when they make comparisons with the situation in 1988. The events in 1988 were spontaneous and the organization came after the movement. It was not that the students were organized in political groups and then started this movement. People forget this because the democratic movements in Burma that started in 1988 were so very widespread that people now have this perception that there were lots of political groups which came together and organised this great movement. It was not like that at all. All these political groups emerged out of the movement.

Brunei, Malaysia & Singapore

Malaysia

Malaysia: Mahathir Reiterates Support for Burma's ASEAN Membership

BK1408072896 Kuala Lumpur RTM Television
Network 3 in Malay 0530 GMT 14 Aug 96

[FBIS Translated Text] Prime Minister Datuk Sri Dr. Mahathir Mohamed says Malaysia will continue to support Myanmar's (Burma) entry into ASEAN despite opposition by several countries. He said ASEAN has never forced any country to adopt the same administrative system as the regional grouping. The prime minister noted that Vietnam's entry into ASEAN has proven the spirit of solidarity in the region; therefore, he saw no reason for opposition to Myanmar's entry into ASEAN.

[Begin Mahathir recording] Present-day Myanmar is different from old Myanmar, which was an isolated country. Myanmar is now an open country with a rapidly growing economy, and its people are living more comfortably. People are no longer gripped by fear. [end recording]

Earlier, the prime minister bid farewell to General Than Shwe, chairman of the State Law Order and Restoration Council, who is on an official visit to Malaysia. The visit clearly showed the Myanmar Government's serious efforts to improve the country.

The prime minister also ruled out U.S. economic sanctions against countries in this region if Myanmar is admitted into ASEAN.

[Begin Mahathir recording] We do not fear economic sanctions imposed against all of ASEAN because the United States also has a lot of investments here. The United States even has investments in Myanmar. [end recording]

Meanwhile, Gen. Than Shwe and his 49-strong delegation called on Paramount Ruler Tuanku Ja'afar to bid

him farewell. Gen. Than Shwe, who left Kuala Lumpur for Penang this morning, arrived last Monday for a five-day official visit.

Malaysia: Commentary Defends ASEAN's Policy Toward Burma

BK1308134096 Kuala Lumpur Voice of Malaysia in English 0810 GMT 13 Aug 96

[Station commentary: "Helping a Neighbor in Need"]

[FBIS Transcribed Text] The chairman of Myanmar [Burmese] State Law and Order Restoration Council General Than Shwe is currently on a five-day state visit to Malaysia. It was one of the few visits he has made outside his country. Because of its internal political problems, a few countries are pressing for political and economic actions, including sanctions, to force Myanmar [Burma] to do what they feel is best for itself.

The problems are serious and the Myanmar Government acknowledges this. The opposition led by Aung San Suu Kyi has been calling for international action against the Myanmar Government to force it to accede to the opposition's demands. Many Western countries, led by the United States, want to respond to this, but they are being held at bay by ASEAN. The Association of Southeast Asian Nations feels it is capable of helping to resolve Myanmar's internal problems, not by interfering directly, but by helping to improve the conditions within that country so that it will prosper.

As the country prospers and its people get to enjoy better living conditions, there will be less antagonism and more tolerance. It will also spur them towards settling their differences so that they can continue to improve their living standard and build upon their country's prosperity.

This is not silly. Malaysia and some other countries in Asia have proved that it works. Multiracial Malaysia was for a long time experiencing a relationship among its various communities that was quite fragile and sensitive with issues as (quick to react) antagonistically against anything we should regard as detrimental to it.

Intercommunal relation was so sensitive at one time that racial riots even broke out in 1969. The Malaysian Government then decided that it must be social engineering coupled with strong economic growth so that every race will enjoy an ever increasing share of a growing economic pie. Now that Malaysians enjoy prosperity, a good standard of life and they can really seek aspirations to better themselves, no one wants to rock the boat.

Racial differences hardly matter these days. People are working with each other regardless of race on the single premise of helping each other to prosper. This principle of not being selfish of helping others to prosper even as one works to better oneself has been adopted by ASEAN to help all countries in Southeast Asia enjoy strong economic growth and better living conditions.

When people gain in prosperity and self-confidence, they will subdue their differences and mutual antagonism and look for ways to work together for mutual benefit. This effort by ASEAN can already be seen to be working in communist Vietnam and Cambodia. Even one of ASEAN original members, the Philippines, is enjoying good economic growth — a dramatic turn around from the days when it was known as the sick man of Asia despite the patronage of the United States. And this about-turn happened because its neighbors are helping the economy grow by investing in that country and helping it to develop its external trade.

So through this policy of constructive engagement, ASEAN is not isolating Myanmar but embracing it into its fold. Myanmar, already holds observer status in the various meetings of ASEAN and is set to become a member of the regional organization next year.

With the encouragement of their governments, companies from ASEAN countries are making investment in Myanmar and building up trade relations with the country so that Myanmar's economy will improve and its people be able to experience better living conditions. It is far from true to say that ASEAN's actions are only aimed at propping up a military regime. The truth of the matter is that governments have to work with governments and they must be sensitive to the internal problems in each other's countries.

At the recent ASEAN Regional Forum in Jakarta where Europe and the United States were among those represented, they found out how useful it was to maintain good ties with Myanmar. With Myanmar attending the forum as an observer, all the participants were able to deal with Myanmar's problems. Malaysia's Foreign Minister Abdullah Ahmad Badawi said the discussions were very frank and he knows that eventually the European Union and the United States welcomed Myanmar's participation.

Than Shwe's visit to Malaysia should be seen in this light of building bridges to Myanmar, making it feel more comfortable among its neighbors and helping it prosper. Asia's emerging economies have proved that as the economic conditions improve, people not only enjoy a higher standard of life, but also experience a greater measure of democracy and human rights as

tolerance, understanding, and common goals overcome mutual suspicion and distrust.

The aim of ASEAN exercise with regard to Myanmar is to make that country feel this is part of a family whose other members all want to help it develop and prosper. And Than Shwe's current visit to Malaysia is a rightful step in this direction with Malaysian Prime Minister Dr. Mahathir Mohamed assuring the Myanmar leader that Malaysia will do all it can to help its neighbor prosper.

Malaysia: Burmese Foreign Minister on Free Trade, New Constitution

BK1408075896 Kuala Lumpur THE STAR in English
14 Aug 96

[Report by Shahanaaz Sher Habib — received via Internet]

[FBIS Transcribed Text] Kuala Lumpur—Myanmar [Burma] said it is prepared to meet its commitments under the ASEAN Free Trade Area (AFTA) to liberalise its economy when it joins the grouping.

Foreign Minister Ohn Gyaw said Myanmar, which had indicated its intention to join ASEAN next year, "would play by the rules".

"The rules apply to all ASEAN members and Myanmar is quite ready to do this (bring down trade barriers).

"There are certain things and additional steps we have to take to be fully integrated into ASEAN.

"The liberalisation of laws and regulations in our country will enhance the full and meaningful participation of Myanmar in the grouping," he said in a press conference yesterday.

ASEAN's six members are committed to cut their tariffs to five per cent or less by the year 2003, while its less developed seventh member Vietnam has been given until 2006 to achieve this goal.

Ohn Gyaw was one of five ministers accompanying Myanmar leader Than Shwe on a five-day official visit here.

On the new constitution the country was drafting, Ohn Gyaw said it was uncertain how soon this would be ready.

He said it was irrelevant whether it was ready before Myanmar became a full ASEAN member because a "country cannot be restrained (from the grouping) by the simple reason of its domestic affairs".

Ohn Gyaw also denied that the country had violated human rights.

Referring to Nobel Peace prize winner Aung San Suu Kyi, he said "that particular person may not have any role to play" in the country.

He said Suu Kyi's National League for Democracy had walked out of the National Convention (which was drafting the constitution) and "they cannot simply come back on an equal basis".

Malaysia: Investment Opportunities in Burma Viewed

BK1408083796 Kuala Lumpur THE STAR in English
14 Aug 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] Kuala Lumpur — Myanmar [Burma] could be a potential destination for Malaysian industries to relocate their labour-intensive operations, according to National Chambers of Commerce and Industry of Malaysia (NCCIM) president Tan Sri Yahaya Ahmad.

"It is time for Malaysian investors to seriously consider the potential investment opportunities in Myanmar," Yahaya said at a luncheon organised by the NCCIM in honour of visiting Myanmar Prime Minister Than Shwe in Kuala Lumpur yesterday.

To date, Yahaya said, there had been seven existing Malaysian projects amounting to U.S.\$70 million (RM [Malaysian ringgit] 175 million) in Myanmar.

Total bilateral trade last year amounted to US\$273 million (RM682.5 million), of which Malaysia's exports to Myanmar stood at US\$232 million (RM580 million) while import from Myanmar was merely US\$42 million (RM105 million).

However, Yahaya said, trade balance between the two countries had narrowed as there had been a significant increase in Malaysia's import from Myanmar.

Myanmar's exports to Malaysia has increased to 45 per cent, from US\$29 million (RM72.5 million) in 1994 to US\$42 million (RM105 million) last year.

Malaysia's main export items to Myanmar are vegetable oil, petroleum and edible goods while its main import items are natural rubber (in the form of latex), maize, cereal products and vegetables (chill and frozen).

Singapore

Singapore: Deputy Prime Minister Discusses Ties With Malaysia

BK1408060596 Singapore THE STRAITS TIMES in English 14 Aug 96

[Unattributed report—received via Internet]

[FBIS Transcribed Text] Singapore-Malaysia ties have been good over the last few years because both countries are doing well, said Deputy Prime Minister Lee Hsien Loong in an interview with seven visiting Malaysian journalists on Saturday.

"It's much easier to develop ties when both countries are doing well and benefiting," he said in the interview, the transcript of which was released yesterday.

He complimented Malaysia on its high growth and singled out its Vision 2020 program which, he said, had energized the population. "Every time I go to KL [Kuala Lumpur], I find that it's non-recognizable from what I knew in the 1960s and 1970s, a quiet town.

"I used to go to Jalan Imbi and have a bowl of noodles or something. Now, everywhere you go, new shopping centers, skyscrapers, Menara, Petronas twin towers. Even the traffic is different."

In such a situation, he added, it was easier for both countries to cooperate and develop ties, so that, later on, if there was a difficult patch with the economy and things slowed down, these ties would help both sides to work together.

However, he added, this did not mean that there would not be problems from time to time.

"We are very close neighbors. We cannot completely just wash out your history and forget about it. And there will be pungent articles published from time to time, particularly in the vernacular press ... But I think we accept that," he said.

Brigadier-General [BG] (NS [National Service]) Lee was also asked what he thought of the proposal made by Senior Minister Lee Kuan Yew about a possible re-merger between the two countries.

Replying, he pointed out that it was not a proposal as such, but that Mr. Lee was just making an observation that, if Malaysia continued promoting economic development and moved towards more equal opportunities, then, eventually, a re-merger was possible.

The reactions on both sides of the Causeway to Mr. Lee's comments, BG Lee said, showed that the people wanted to stay separate. "Well, I think in practice, that is what we will do, we will stay separate and I hope we will be able to work together separately."

Asked what Mr. Lee had in mind when he mooted the idea, BG Lee said that the journalists would have to ask the Senior Minister, but that he (BG Lee) did not think it was a bad thing to remind Singaporeans of some of the realities which underpinned Singapore's existence.

"I think it's useful from time to time to remind people. It's 31 years since independence. Nearly half our population today was born after 1965, below age 31. So, what they have seen is the surface, the success. What they have not seen is how it came about, why this was possible."

Singapore: Goh Delivers Message on Vision for 21st Century

BK1308114796 Singapore THE STRAITS TIMES in English 9 Aug 96 p 1

[Report by Ng Wei Joo]

[FBIS Transcribed Text] Prime Minister Goh Chok Tong last night called on Singaporeans to help make Singapore a better home by strengthening their commitment to the country and their fellow citizens.

Singaporeans, he said, could not just be materialistic, self-centered and impatient to get rich quick, but would have to be considerate, gracious, and concerned about their citizens if the country was to hold together and progress.

Delivering his traditional National Day message, Mr. Goh said that being committed to the country and its people was "the most important strength of a Singaporean".

"This island has given all of us a place to live in peace, make a good living and raise a family. Let us make it a better home where Singaporeans will live a fulfilling life with dignity," he said in the 10-minute message, which was telecast in the four official languages on television.

He began his speech with the usual round-up on the economic progress made by the country this year, as was the practice of his predecessor, Mr. Lee Kuan Yew.

But, he added: "Tonight, I want to go beyond economics. I want to ask you to join me in deciding the kind of Singapore we want in the 21st Century, and to work with me to achieve it."

Returning to the need to forge a more cohesive society, a theme he and other government leaders have raised several times in recent weeks, he argued that "a nation is more than just a market-place where people work, trade, invest and get rich".

Even in Singapore's early and difficult years, the government had always looked beyond the need to

create jobs and build homes for the people. It sought as well to build a "Singapore of one people in one nation", he said.

"The government did not simply settle the framework for people to make money. We were building a nation," Mr. Goh added.

Noting that Singapore did not meet completely the conditions of a nation in the sense of having a people of the same race, language, culture, traditions, defined territory or history, he added:

"Yet after 31 years, more important than our economic success and the improvements in our lives, is the beginning of a Singaporean identity and nation."

He was therefore not surprised that six out of 10 Singaporeans polled by THE STRAITS TIMES recently were against the proposal to re-merging with Malaysia.

Malaysians, he noted, were also clear in their reactions, with an overwhelming number of them not wanting Singapore to upset their identity and their way of life and government. Many, he noted, also pointed out that Singaporeans had developed differently from them.

Many, he opted, also pointed out that Singaporeans have developed differently from them.

"We have become different after 31 years. We are Singaporeans and identifiable by others as Singaporeans," he said.

"We are Singaporeans and identifiable by others Singaporeans," he said.

Chinese, Malays and Indians, he added, had developed differently from Chinese in China, Malays in Malaysia or Indonesia, and Indians in India, and already had a common, distinct identity.

"The question is how do we strengthen and develop it further. Singapore was never meant to be an independent country separate from Malaysia. Whether we will continue to grow and succeed as a nation is a basic question," he said.

Even without any specific security threat, Singapore would always be vulnerable. For example, if it suffered economically, it would have problems catering to the basic needs of three million Singaporeans.

"Therefore, we have to constantly nurture, strengthen and reaffirm our commitment to Singapore as one united people.

"The government's mission extends beyond creating conditions for people to live comfortably and for the enterprising to get rich.

"Singapore is not just a board house, or a place to work and make money. Singapore is our home," he said.

Spelling out his vision for the nation, he said it was to see a Singapore where "every citizen strives to make Singapore a better home, where people are considerate and well-behaved towards one another".

Singaporeans would also be well-educated or trained, and employed, gracious, happy and enjoying a high standard of living.

They would appreciate art and beauty, and lead active and healthy lives.

"Then Singapore will be our home in the 21st Century, by choice, and not because we have nowhere else to go. Let us share our successes and care for one another. Singapore will grow in strength and Singaporeans will thrive in a gracious society."

Cambodia

Cambodia: Vietnamese Delegates Suggest Frequent Visits to SRV

BK1408080096 Phnom Penh National Radio of Cambodia Network in Cambodian
0500 GMT 14 Aug 96

[FBIS Summary] Loy Simchheang and Son Soubert, respectively first and second vice chairmen of the National Assembly, and representatives of various commissions of the Kingdom of Cambodia's National Assembly received on 13 August at the National Assembly office a nine-member delegation from the Vietnamese Assembly led by Vu Mao, member of the Vietnamese Assembly Standing Committee and chairman of the Vietnamese Assembly's Vietnam-Cambodia friendship group.

The head of the Vietnamese delegation said: "We have a relationship not just between states but also between two peoples, particularly those living along the border. His Excellency Vu Mao suggested that the Cambodian National Assembly send more frequent delegations to Vietnam to further provide good cooperation."

Cambodia: Hun Sen Comments on Khmer Rouge Defector Ieng Sary

BK1408103696 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 12-13 Aug 96 pp 1, 8

[Unattributed report]

[FBIS Translated Text] Attention is being paid to Ieng Sary alias Van, who was second in command of the Khmer Rouge when he was in power from 1975 to 1978, and who has now cut himself off from them. Samdech Hun Sen, however, told reporters on 10 August that "the

issue of giving a post (to Ieng Sary) is outdated now, as Cambodia's Constitution does not require this. Ieng Sary himself has not asked for this because he is already old."

On the morning of 8 August the Khmer Rouge radio announced the death sentence on Ieng Sary. A few hours later, at the inauguration of radio station 103 and television channel 3 Samdech Hun Sen appealed to "those who have been called traitors by the Khmer Rouge" to escape or return to society and the nation. One person who has done that is Ieng Sary. Also on 8 August, the divisions that cut themselves off from the Khmer Rouge — Divisions 450 in Malai, 415 in Pailin, and 250 on south Sisophon battlefield — showed their loyalties by pledging "to firmly support our leader, namely Uncle Ieng Sary, alias Uncle Van." Because of his importance, analysts are paying great attention to Ieng Sary and his future.

Second Prime Minister Samdech Hun Sen said on the same day that "what Ieng Sary wants is the end of fighting or bloodshed. Because of this, he has been accused by other Khmer Rouge of treason." Ieng Sary was involved in the massacre of over 3 million Cambodians during the Democratic Kampuchea regime when he was the second in command after Pol Pot. He now faces an international tribunal which has been recently called for.

Samdech Hun Sen drew a comparison from Chinese folklore. During the time of Bao Chin-tien, a man sentenced to death was offered a meal and alcohol before his execution. In Cambodia, if a person has done a good deed to make up for a bad one "he will have done even better than in the Chinese story". Samdech Hun Sen stressed that "Hun Sen is grateful to him (Ieng Sary)" because he (Ieng Sary) has done something valuable for tens of thousands of people; "the past, whatever it is, is a different matter." "Now is the time for good deeds to offset bad ones. Therefore, good deeds should be done to make up for mistakes. We ought to welcome this."

By the afternoon of 10 August, there was still no reaction from the king. No noteworthy reaction was also observed from among high-ranking FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] officials, including the prince Krompreah [Ranariddh].

Cambodia: Tie Banh Interviewed on Pailin, Malai

*BK1308173896 Phnom Penh National Radio of Cambodia Network in Cambodian
1300 GMT 13 Aug 96*

[Interview with Co-Minister of National Defense Tie Banh by unidentified local and foreign reporters in Phnom Penh on 13 August — recorded]

[FBIS Translated Text] [Correspondent] (?Can we go to the area?)

[Tie Banh] Not completely yet. We are still waiting for the right time. We will enter once we have linked up.

[Correspondent] [Words indistinct] pressure from the Khmer Rouge [KR] of Pol Pot and Son Sen?

[Tie Banh] It is certain that the breakaway forces have already been well prepared and are fully able to resist attacks or offensives launched by the KR forces that have not yet broken away.

[Correspondent] [Question indistinct]

[Tie Banh] This is quite normal. We have announced that if the forces that have broken away from Democratic Kampuchea [DK] [words indistinct] are in danger, we will assist them every way we can. The breakaway is definitive.

[Correspondent] [Question indistinct]

[Tie Banh] I cannot say exactly how many KR troops there are, because they are in their area and because they always hide their real strength [words indistinct].

[Correspondent] Now, (?have they already asked us to help?)

[Tie Banh] So far they have not asked for any specific help. They have said only that they will continue to solve problems in the areas where they are stationed by urging those who have not yet completely agreed to break away to do so. They will continue to break away.

[Correspondent] What is the development of today's situation [words indistinct] ?

[Tie Banh] Nothing has changed yet. The development is still fine. That is, the breakaway is irreversible. They continue to break away. However, since certain forces have not yet completely agreed, they continue to persuade them to agree.

[Correspondent] (?Are they with the Royal Government 100 percent?)

[Tie Banh] On this matter, we can confirm that after breaking away from DK, they certainly agreed to link themselves with the government forces.

[Correspondent] What percent already?

[Tie Banh] We need not talk about the percentage. What we can say is that they have to link themselves with the government forces because our country cannot (?split up).

[Correspondent] At present, is Ieng Sary in Cambodia or in a foreign country?

[Tie Banh] I ask to be permitted not to talk about Ieng Sary at this point, because we are still not clear as to his whereabouts. I do not want to talk about that yet.

[Correspondent] Would we accept Pol Pot if he asked to surrender?

[Tie Banh] We cannot talk about what has not yet been asked for, nor do we want to talk about actions not yet taken.

[Correspondent] Will we accept Pol Pot if he surrenders?

[Tie Banh] As I just said, we do not talk about what has not yet occurred.

[Correspondent] [Words indistinct]

[Tie Banh] I do not want to talk about this matter either, because we have our own approach to action.

[Correspondent] [Question indistinct]

[Tie Banh] We have not yet helped them with anything. All we have done is to explain the position of the RG [Royal Government], which has guaranteed to protect the lives, possessions, and positions of those breaking away. We reaffirm that we will continue to honor those guarantees. That's it.

[Correspondent] [Word indistinct] (?why are the other areas still not linked with us?)

[Tie Banh] This is a technical problem. We cannot (?talk) about it now. Sooner or later, linkup depends on their maneuvers and steps. Technically, the speed of their implementation can be slow, or fast, or average, and so on. Thus, the technical group should be left to play its role.

[Correspondent] How many KR troops remain?

[Tie Banh] As I just said, we cannot ask (?Pol Pot) where his troops are, or how many there are.

[Correspondent] [Question indistinct]

[Tie Banh] We will know when we have it.

[Correspondent] (?Is it possible that the KR are just pretending, in order to play politics?)

[Tie Banh] We should not think like that. If we do, we might cause despair in those who have done what they have done sincerely. Therefore, we should not raise the issue [word indistinct]. We are all capable of making a decision, and they have decided that now is the appropriate time to make that decision.

[Correspondent] Are they continuing to negotiate?

[Tie Banh] We need not talk about that in detail. If there were no talks or contacts, no announcement could have been made and nothing — such as the event we are following up on at present — could have happened. Nothing like that could have happened at all.

[Correspondent] Do you plan to take reporters to Pailin and Malai in order to...

[Tie Banh, interrupting] I have no plan to take reporters there. Actually, no one is forbidding you to go.

[Correspondent] [Words indistinct] take part in elections?

[Tie Banh] You should ask them about that yourselves. I cannot talk about what is heard because such things have already been heard many times. ? [Correspondent] In a communique, the [word indistinct] KR said a friendly country wanted to cut off economic contacts. Does this mean Thailand?

[Tie Banh] If you want to know that clearly, you should ask them yourselves. You should not ask me, because it is not I who issued the communique. I can talk about or confirm only what I know.

[Correspondent] [Words indistinct]

[Tie Banh] It is impossible for me to give the percentage of the results we have gained. However, what we have achieved is the breakaway, which has greatly helped us avoid all kinds of confrontations. This also provides us with a promising outlook for peace and the national reconciliation process.

[Correspondent] [Question indistinct]

[Tie Banh] Analysts [words indistinct]. However, we should realize that not only will the KR be unable to fight in 1997 but they have been unable to fight for a long time. Since they withdrew from Phnom Penh, they have never had any hope of fighting. They have clearly realized that. As they have not been able to fight for more than 10 years now, they will continue, forever, to be unable to fight.

[Correspondent] Do we have a plan to deal with any other KR groups in Kampot [word indistinct], such as Nuon Paet's group?

[Tie Banh] It is really difficult for me to elaborate on the plan in an interview.

[Correspondent] The KR radio said senior KR commanders were sent to Palin and Malai in order to build up forces...

[Tie Banh, interrupting] You should not give too much importance to this issue. What is heard is not really plausible; sometimes, it is even false. Now, the announcements made by those in Pailin and Malai to break away from the KR rebel bandits really are authentic.

[Correspondent] (7Why do they not hand over their weapons immediately?)

[Tie Banh] As I said before, in order to avoid bloodshed, they are trying to persuade and calm down those who still do not understand the breakaway process.

[Correspondent] Does this mean that those breaking away are persuading one another?

[Tie Banh] Only those who still do not understand. Once they understand more deeply, they will stop fighting.

[Correspondent] Which KR leader controls the north-east?

[Tie Banh] The KR leaders share control of that region. No single KR leader can control it [words indistinct].

Cambodia: NADK Calls Forced-Away People Back to Malai, Pailin

BK1408014996 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 13 Aug 96

[Recommendation by the NADK Supreme Command on 13 August; place not given]

[FBIS Translated Text] I. The miscreants, henchmen of the named Ieng Sary, alias Van, have forced cadres, army members, and army dependents from several hamlets in Malai and Pailin to follow them against their will and have massed them densely in areas far from their homes where they are exposed to the rain and the sun, causing them to become sick with fever, dysentery, and diarrhea, especially the children and babies. This act of the miscreants is their last-ditch move because they do not enjoy the support of the population and are opposed by the population. Therefore, they use guns to threaten the local people to leave their homes and mass the people from Malai in Dong village and those from Pailin in deep jungles near the border.

The brother and sister cadres, army members, and army dependents who have been forced away from their homes are extremely furious because the miscreants

have cruelly made them go hungry and sleep in the open, drenched with rain and sun, causing them and their children to become sick; to leave behind their property, cattle, hogs, and chickens; and to miss their corn harvest and rice transplanting work.

II. For this reason, the Supreme Command of the National Army of Democratic Kampuchea [NADK] appeals to the brother and sister cadres, army members, and army dependents to break away from the detention camps of the miscreants and immediately return to your home in order to take care of your property; tend your chickens, hogs, and cattle; and transplant rice and harvest corn in time. You are invited to go back now so you will not get sick and will not let the rice- and corn-growing season pass by, which could only hurt the economic livelihood of your own families.

If you need rice and food because you have been forced away by the miscreants, the Supreme Command of the NADK has already advised its local representatives and your new leading committees right in Malai and Pailin to help provide them for you. You are all invited to return home and to get rice and food from them.

[Dated] 13 August 1996

[Signed] The Supreme Command of the NADK

Indonesia

Indonesia: Japanese Investment, National Car Policy Discussed

BK1408102696 Jakarta MEDIA INDONESIA in Indonesian 14 Aug 96

[Unattributed report — received via Internet]

[FBIS Translated Text] Jakarta (MEDIA) — The 27 July 1996 riots, known as "gray Saturday," will not affect the interest of Japanese businessmen in investing in Indonesia. The incident was not widely reported in Japan.

Mr. Tsuruta Takuhiko, president of the Nihon Keizai Incorporation, said this to journalists following his meeting with President Suharto at the Bina Graha presidential office in Jakarta yesterday. Included in Mr. Takuhiko's delegation were Mr. Toshihiko Komaki, (senior staff writer), Mr. Kazuki Kagoya (Jakarta correspondent), Mr. Kiyoshi Hasegawa (ASEAN news editor), Mr. Kenjiro Hosikawa (editor-in-chief) and Mr. Shiro Saito (manager/secretary). They were accompanied by B.J. Habibie, minister of state for research and technology, during their meeting with President Suharto.

"Will the 27 July riots affect Japanese interest in investing in Indonesia?" a journalist asked. "As far as I am concerned, there will be no affect at all because

the news on the riots was not widely reported in Japan," Takuhito said.

During the meeting, President Suharto said that there is a group of people who do not respect the constitution, Takuhito added. "The president also mentioned that the PRD (Democratic People's Party) had been taking advantage of the situation to create disorderliness, Takuhito said. "As for Megawati, the president said that she is currently being questioned in relation to the riots, and the PRD chairman has been arrested. The president also reiterated that this issue would not be allowed to blow up," Takuhito said when questioned by journalists.

Continuing, Takuhito said several matters relating to ASEAN cooperation were also discussed between President Suharto and the Japanese delegation. "Given the fact that we consider Indonesia as the leader of ASEAN, we would like to have some input from the president about future cooperation with ASEAN," Takuhito said.

He said that Indonesia-Japan cooperation was a special topic discussed, particularly regarding the economic and industrial fields.

A journalist asked: "Did you discuss Indonesia's preparations for attending the World Trade Organization (WTO) meeting in light of the fact that Japan will probably raise the national car issue there?" "We did not touch on the WTO meeting. However, we did talk about Indonesia's efforts to increase its export commodities, including its policy on the national car," he said. On the national car issue, President Suharto explained: "The 200 million Indonesian citizens are desirous of owning cars. So we are trying to fulfill the people's aspiration by implementing or initiating a national car policy."

The Nihon Keizai Shimbun Inc. is one of Japan's giant mass media businesses and owns the NIKKEI SHIMBUN newspaper, magazines, television and radio programs, etc. The NIKKEI SHIMBUN, for example, is an economic newspaper with a circulation of 3 million copies per day and read by about 10 million people.

Indonesia: Suharto Maintains PRD 'Terminated'; Arrests Viewed

BK1408054796 Jakarta KOMPAS in English
14 Aug 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] Jakarta, KOMPAS — President Suharto assured that the People's Democratic Party (PRD) would be terminated especially after the arrest of PRD chairman Budiman Sujatmiko on Sunday (11/8).

The President gave his assurances to Tsuruta Takuhiko, head of the Nihon Keizai Shimbun Inc (Nikkei) news-

paper. Takuhiko is an official guest of Minister of Research and Technology B.J. Habibie.

Takuhiko said that Suharto was responding to questions connected with the current situation in Indonesia, in particular after the July 27 riots.

In the meeting, the President and Takuhiko also discussed economic and industrial policies. The issue of the controversial national car was also broached.

In the meantime, Assistant Chief of Social and Political Affairs of ABRI [Armed Forces of the Republic of Indonesia] Major General Suwarno Adiwijoyo said the arrest of 27-year old Budiman Sujatmiko was not the end of ABRI's intentions to rid Indonesia of communist influences.

The PRD is not the only organization bearing communist ideology, he said.

Suwarno declared that ABRI had identified a number of organizations sympathizing to the communist ideology. He pointed specifically to several non-government organizations. Suwarno gave historical references to different organizations which have been infiltrated by communism.

"Today, communists are adopting the same tactics, infiltrating social and other non-government organizations," he said.

Communism, he maintained, was fiercer today. Budiman Sujatmiko, for example, was influenced by communist teachings when he was in high school.

"Who provided Budiman Sujatmiko with this communist ideology is still under examination. We have to be on alert because communism is influencing youths," the Major General announced.

Subversion

Supreme Court Judge Yunan Sawiji refused to comment on the status of Budiman Sujatmiko. He also declined to tell of the whereabouts of Budiman and his associates.

The papers for the arrest of Budiman Sujatmiko and 10 other PRD have been issued by the Supreme Court. The youths are being held under the 1963 subversion legislation.

Representatives from the Indonesia Democratic Party (PDI) are still undergoing questioning at the heavily guarded central Jakarta detective office.

Sabam Sirait and Sutarjo Sujoguritno have been called in as witnesses for Budiman Sujatmiko case. The PDI representatives have been unable to comment on the questioning procedure.

Legal Solution

Meanwhile, Deputy chairman of parliament Ismail Hasan Metareum asked that the law be upheld in the case involving suspected subversive PRD activities.

"The arrest of PRD Chairman Budiman Sujatmiko will assist the government in finding a legal solution to the case. We must keep in mind the legal stipulation, innocent until proven guilty," Ismail said.

Chairman of the ABRI fraction of Parliament, Suparman Akhmad hoped the case would be transparent. Suparman said that if the cause of the July 27 riots was known then the 1997 election could go ahead smoothly. The riots ensued a military raid on PDI headquarters in central Jakarta.

Suparman also felt the findings of the Indonesian National Commission on Human Rights in relation to the July 27 riots should be made public.

Indonesia: Activists Arrested in Bali for 'Subversive Activities'

BK1408043096 Hong Kong AFP in English
0402 GMT 14 Aug 96

[FBIS Transcribed Text] JAKARTA, Aug 14 (AFP)—Military authorities in the resort island of Bali have arrested 28 pro-democracy activists from a group that Indonesian President Suharto has accused of subversive activities, a press report said Wednesday.

A total of 28 activists of the People's Democratic Party (PRD) were arrested in a raid last week in the Gianyar district, Bali Governor Ida Bagus Oka told the official Antara news agency in Denpasar, Bali.

"They will be immediately processed according to the law," Oka said. "What is certain is that there will be no mercy for them."

Oka provided no names, but said some of those arrested were not residents of the island.

He said the activists were being questioned by police to determine any possible links to the mass riots in Jakarta on July 27.

The arrest followed that of the group's leader, Budiman Sujatmiko, and nine other PRD activists in Jakarta and in nearby Bekasi on Sunday.

Suharto last week accused the PRD of being "clearly involved in subversive activities."

The PRD is a small pro-democracy group which has been accused by the government of inciting mass riots in Jakarta in July, which left at least four dead and scores injured.

Suharto, along with senior officials, has said that the group employs the same methods as the long-outlawed Indonesian Communist Party (PKI).

The PKI was banned following a bloody coup attempt in 1965 for which it was blamed.

Senior government and military officials have launched a nationwide campaign to arrest PRD members and other activists it deems as opponents.

Indonesia: Official Human Rights 'Watchdog' Delays Riots Report

BK1408043596 Hong Kong AFP in English
0408 GMT 14 Aug 96

[FBIS Transcribed Text] JAKARTA, Aug 14 (AFP) — Indonesia's official human rights watchdog said it has delayed indefinitely the release of its conclusions on riots here two weeks ago, amid reports that detained pro-democracy activists have been denied access to lawyers.

The National Commission on Human Rights cannot set a deadline to announce its investigation results, said commission member Marzuki Darusman. The report was originally due out last Friday.

"Time is needed for the public to feel uninhibited in revealing information," Darusman said.

The commission has visited hospitals and crematoriums around Jakarta as part of a fact-finding mission about the number killed, injured and missing as a result of last month's violent riots.

Darusman said commission members had been given access to 17 hospitals, including military and police hospitals, the Jakarta Post reported.

Four people died and 28 were injured in the riots, according to official figures, but unofficial sources put the tolls much higher, saying 20 people also disappeared during the events.

Meanwhile, ten detained activists who have been accused of being communists and masterminding the riots have been denied access to lawyers, the pro-democracy Legal Aid Institute (LBH) said.

"The Attorney General's office trampled on articles 54, 59 and 61 of the criminal code procedures which guarantee that a defendant has the right to be accompanied by lawyers at all stages of investigation," said the LBH's Dewi Novirianti.

She said the pro-democracy activists, arrested Sunday, had also been denied access to their arrest warrants.

The ten, including Budiman Sujatmiko, the chairman of the Peoples' Democratic Party (PRD), are being held at

an undisclosed location, the state Antara news agency reported Wednesday.

"The examination is being done by personnel of the Attorney General's Office at some place," said Pontas Pasaribu, spokesman for the Attorney General's Department.

Pasaribu refused to tell reporters where the activists were being held.

The activists, along with trade union leader Muchtar Pakpahan, face subversion charges. Subversion carries the maximum penalty of death, and subversion charges allow authorities to hold a person for up to a year without trial.

Washington Tuesday expressed concern at the scale of arrests conducted by Indonesian authorities since the riots.

"We have a particular concern about the arrest and continued detention of Muchtar Pakpahan and Budiman Sujatmiko," said State Department spokesman Glyn Davies. "There are of course others and we are concerned about those as well."

Pakpahan was arrested two weeks ago and has been held in a questioning cell at the Attorney General's Department in South Jakarta ever since.

Philippines

Philippines: Arms Cache Allegedly Meant for APEC Summit Seized

BK1408114996 Manila THE MANILA CHRONICLE in English 7 Aug 96 p 8

[Report by Vice Halog, Jr.]

[FBIS Transcribed Text] Police yesterday seized from a suspected gunrunner in Cebu a cache of high-powered firearms allegedly meant for the Asia-Pacific Economic Conference (APEC) summit in November.

In a radio message to the Philippine National Police (PNP) headquarters in Camp Crame, the Cebu police said the suspect, William Garaygay, is a supplier of high-powered firearms to the Muslim extremist group Abu Sayyaf.

The report said agents of the Regional Task Group on Intelligence and Counterintelligence and the Presidential Task Force on Intelligence and Counterintelligence raided the house of Garaygay in Barangay [village] Marigondon, Lapu-Lapu City, at 4:30 AM Sunday.

Seized from his house were an M16 rifle, a .22 cal. rifle, a 12- gauge shotgun, a 9mm pistol, a homemade .357 revolver, and a flare gun.

Also seized during the raid were six fragmentation grenades, two smoke grenades, blasting devices for high-powered explosives, claymore mines, a pound of gunpowder, several dynamite sticks, and several flares.

Authorities said hundreds of rounds of assorted ammunition, gun parts, M-60 machinegun ammunition links, scuba knives, and several other firearms were also found in the house.

Garaygay and the seized firearms and explosives will be turned over to the Presidential Task Force on Intelligence and Counterintelligence headquarters in Manila for investigation. Police said the raid was conducted on the strength of a warrant issued by Manila Executive Judge William Baylon.

President Ramos had earlier ordered police and military authorities to foil any plot to disrupt the APEC summit.

The president's order came after National Security Adviser Jose Almonte, Jr., quoting intelligence reports, confirmed that the "Lagman Group," apparently alluding to the communist Alex Boncayao Brigade, was planning to conduct bombings, hostage-taking, kidnappings, and assassinations during the summit to discredit the government.

Investigators, however, have yet to gather evidence to prove that the cache was part of an armory being readied to sabotage the APEC summit.

Lagman, who chairs the left-leaning Bukhuran ng Manggagawang Pilipino [Union of Filipino Workers] (BMP), had dismissed the allegations, describing them as "scarecrow" tactics to prevent local militant labor groups from opposing the summit.

Philippines: WTO Protocol on Financial Services Ratified

BK1308130896 Manila BUSINESS WORLD in English 31 Jul 96 p 2

[Unattributed report]

[FBIS Transcribed Text] The Senate has ratified the Second Protocol to the General Agreement on Trade in Services (GATS) which commits to the liberalization of financial services, thus beating the July 30 deadline given by the World Trade Organization (WTO).

In a vote of 17 in favor of the agreement, the chamber gave its concurrence to the country's entry to the GATS.

Senator Ernesto Maceda, chairman of the foreign relations committee, said the accord seeks to bring a "new era" of services in multilateral trade rules. "Since we have liberalized our banking sector and other financial services, we are actually on a status quo."

The banking industry was liberalized in the 9th Congress allowing more foreign banks to enter the Philippine market.

Among the services which have to be liberalized under the GATS are commercial banking, investment houses, financial leasing, credit card services, securities dealership/brokerage, and insurance.

Mr. Maceda also said the ratification of the protocol will emphasize the country's international standing as a member in good faith of the WTO.

He added one of the primary reasons of the country for entering the agreement despite having liberalized most of the financial services was to be placed in the priority list of other WTO-member countries looking for investment sites.

Section 21, Article 7 of the Constitution states that "no treaty or international agreement shall be valid and effective unless concurred in by at least two-thirds of all the members of the Senate."

"In case we have complaints of unfair trade practices, we can also elevate these to the WTO and the guilty parties can be reprimanded or imposed with sanctions," Mr. Maceda noted.

Philippines: Moslem Insurgent Chief Agrees To Sign Peace Accord

*BK1308032296 Hong Kong AFP in English
0223 GMT 13 Aug 96*

[FBIS Transcribed Text] MANILA, Aug 13 (AFP) — Moslem insurgent chief, Nur Misuari has said that he will sign a peace agreement at the presidential palace in this city on September 2, a local daily reported here Tuesday.

The "Today" newspaper quoted Misuari as saying that "on September 2, I will go to (the presidential palace) to sign the final text of the agreement."

He also said that the signing would be attended by representatives of the Organization of Islamic Conference (OIC) which has overseen the peace talks between Manila and Misuari's Moro National Liberation Front (MNLF.)

The signing would mark the end of the MNLF's struggle for a separate Moslem state in the southern Philippines which began in 1972 and which reportedly claimed over 120,000 lives.

An interim peace agreement, forged in June, calls for the creation of an MNLF-dominated council to oversee development projects in the southern Philippines in preparation for setting up a Moslem autonomous region.

However Christians, who make up the majority in the southern Philippines have been opposing the plan, for fear it will result in Moslem domination.

Philippines: Explosion Attributed to Rebels Injures 7 in Midsayap

BK1408114896 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 1000 GMT 14 Aug 96

[FBIS Translated Text] Moro Islamic Liberation Front rebels bombed a village in Midsayap, Cotabato, the other day. Seven people were injured in the explosion, which is suspected to be connected to the forthcoming Autonomous Region for Muslim Mindanao elections.

[In a similar item, Hong Kong AFP in English at 0932 GMT on 14 August reports the following: "COTABATO, Philippines, Aug 14 (AFP) — Sixteen civilians were injured in two explosions near this southern Philippine city, officials said Wednesday [14 August].

"Rival factions of the Moro National Liberation Front (MNLF), a Moslem guerrilla group, clashed Tuesday between the towns of Datu Piang and Midsayap, municipal police chief Juhan Kairan said.

"A mortar shell and a grenade injured 11 people, including four children.

"The fighting was apparently triggered by the killing of a village chief early Tuesday, a military report said.

"The MNLF has accepted limited Moslem self-rule in several areas of the south and is set to sign a peace agreement with the government on September 2, which would end more than two decades of sectarian strife in the south. Meanwhile, five government employees were injured after an unidentified man lobbed two hand grenades early Wednesday at a house in the town of Kidapawan, provincial police commander, Jainal Jamasali, said.

"Police also retrieved and detonated a hand grenade found at a bakery about 100 meters (330 feet) from a hotel here where MNLF leader Nur Misuari and four senators were meeting Tuesday to discuss the proposed peace agreement.

"The police could not confirm whether the grenade had been targetted at Misuari and the senators. "The peace deal has met with opposition and protests, mostly from Christians, who fear it will give the Moslems too much power in the south."]

Philippines: Press Reviews Peace Process, Muslim Groups' Activities

BK1408080196

[FBIS Report] Manila PNA in English at 0350 GMT on 14 August, which is received via Internet, carries an item in a "Press Review" datelined 12 August that reports: "Abu [Abu Sayyaf group] joins MILF [Moro Islamic Liberation Front] in training — The radical Abu Sayyaf rebel group has decided to move to Basilan and the Zamboanga Peninsula from Jolo and has joined the Moro Islamic Liberation Front in training their troops, Sen. Francisco Tatad said yesterday. (TODAY)"

The Press Review also carries an item on the MILF's talks with the government that says: "Nur [Nur Misuari, Moro National Liberation Front, or MNLF, chief] to mediate MILF, Sayyaf talks with gov't — Chairman Nur Misuari of the MNLF is ready to mediate peace talks between the government, the Moro Islamic Liberation Front, and the Abu Sayyaf by exerting 'moral pressure' on the two Muslim groups as soon as the final peace agreement between the MNLF and the government is signed. (STANDARD)"

Manila PNA in English at 0351 GMT on 14 August carries an item in a "Press Review" datelined 13 August that says: "MNLF occupies 4 towns (CHRONICLE) — Barely a week after some 200 Moro National Liberation Front rebels pulled out of Limaong Island off Zamboanga City, some 300 MNLF fighters reportedly occupied over the weekend four towns in Zamboanga del Norte in apparent violation of its cease-fire agreement with the government."

In relation to the peace talks between the government and MNLF, another "Press Review" item reports: "We'll sign final peace accord on September 2-Misuari — Moro rebel leader Nur Misuari said yesterday that the government and the Moro National Liberation Front will sign on September 2 at Malacanang [presidential palace] the final peace agreement to resolve the 25-year-old Muslim rebellion in Mindanao. (TODAY)"

Thailand

Thailand: U.S. Candidates Urged To Emphasize Foreign Policy

BK1408052796 Bangkok BUSINESS DAY in English
14 Aug 96 p 4

[Editorial: "Foreign Policy Emphasis Is Needed in US Presidential Race"]

[FBIS Transcribed Text] US presidential candidate Bob Dole's choice of Jack Kemp as a running mate shows clearly that the battle for the US presidency will be waged on domestic economic issues.

There are powerful indications, however, that the US economy is performing very well, and so the major issues the presidential candidates and their running mates will concern themselves with should also include non-economic matters. In particular, US foreign policy lacks a clear vision and contains many inconsistencies.

Mr Kemp, a former senator and Secretary of the Department of Housing and Urban Development, has had no significant experience in international trade policies and foreign relations.

In over 30 years of public service, Mr Kemp never wavered from his fascination with 'supply-side economics', a controversial theory which postulates that lower taxes will lead to an increase in production, income, and economic growth. Critics of supply-side economics see the idea as nothing more than a politically motivated scheme to buy the votes of the rich taxpayers and to cut down on government social programs for the poor.

Overall, the US economy is in great shape as a moderate but sustained non-inflationary growth trend is in progress. Investors are optimistic, stock markets continue to do extraordinarily well and the only area of serious concern — rising labor costs — has not derailed progress and stability achieved in numerous other areas. In other words, President Clinton will head into the election in November with a strong upper hand on the economic front.

Since the economy is sailing along smoothly, it would be far more productive for the presidential and vice-presidential candidates to debate foreign policy issues. The demise of the Soviet Union has left the US in an unchallenged position of world leadership, but what this leadership entails remains a mystery, for the Clinton administration has yet to clearly articulate its foreign policy goals and objectives and, more importantly, demonstrate the fundamental values on which they are based.

US foreign policy towards China is defined by the American consumers' insatiable need for products made with low-cost labor. And as much as the US is in the habit of bringing up human rights issues against China, the self-righteous protestations against the use of prison labor and other forms of human rights violations are meaningless posturing which the Chinese have handled to their advantage because they can clearly see the underlying hypocrisy. Similarly, the US' official attitude on human rights and political issues in Myanmar [Burma] has been accompanied by a great deal of support and encouragement for American oil companies and other ventures to do business with Myanmar. As for its dealings with Japan, the US has not made significant progress in breaking down the formidable Japanese

trade barriers, and the recently arrived at agreement on computer chips has already become a laughing stock, for it is clearly yet another clear-cut protectionist victory for Japan.

Thailand: Phalang Tham Party Withdraws From Coalition

BK1408024596 Bangkok THE NATION in English
14 Aug 96 pp A1, A6

[Unattributed report]

[FBIS Transcribed Text] The Phalang Tham (PDP) Party in a shock move last night decided to pull out of the Banhan government, while other coalition parties also showed signs of rebellion, reasoning that the administration's image has plunged to its lowest-ever point.

A party source said PDP secretary-general Sudarat Keyuraphan and Industry Minister Chaiwat Sinsuwong left for Prime Minister Banhan Sinlapa-acha's residence after a PDP executive meeting ended late last night. "They were carrying a resignation letter," said the source.

The PDP meeting took place after an eventful and ominous day for Banhan. Earlier in the day, his Cabinet gave the green light to the Finance Ministry to grant three new bank licences, a move which most likely will rekindle his showdown with Justice Minister Chaloeam Yubamrung. Compounding the situation, a group of Chat Thai MPs are planning to ask Banhan today to remove Chaloeam.

PDP leader Thaksin Chinnawat all but confirmed his party's decision to pull out. "We talked about our withdrawal. That's all I can say now because there is etiquette to abide by," he said. "The decision we have unanimously taken doesn't mean abandoning the ship. We have the duty to show political responsibility in the most suitable way. We don't care what happens to us next, and we will do our job no matter which bloc we are in."

The withdrawal was later confirmed by government spokesman Somsak Pritsanananthakun.

All of a sudden Banhan looks extremely isolated and his government seems to be facing the most serious risk yet of breaking part. At a New Aspiration Party (NAP) meeting yesterday, NAP leader Chawalit Yongchaiyut told party members Banhan could be "knocked out" during the no-confidence debate, and that the NAP might not give him its vote of confidence if the opposition has strong information to back up its campaign.

Nam Thai Party leader Amnuai Wirawan expressed grave concern over the government's image. "This government has failed to win the public trust and we are worried that the sagging image cannot be restored," he said.

Nam Thai MP Nippon Tharaphum said in a separate interview he will instigate a move to bring down the Banhan administration.

"Everywhere I go in my constituency, the people say they want this government out. The people can't take it anymore. I think the government won't step down unless we bring it down," he said.

Several other government politicians also admitted that the banking controversy, triggered by Chaloeam's allegation that huge bribes were paid or offered to win licenses to operate three new banks, shattered what was left of the government's credibility. Even if the allegation is groundless, the fact that it was raised by a justice minister who could have ulterior motives was destroying public faith in the administration, they said.

The Cabinet yesterday formed a panel to investigate Chaloeam's claim that huge bribes were involved in the process of screening prospective licensees, but its conclusion that the Finance Ministry will have the final say in the licensing matter left the Muanchon leader's status as coalition partner hanging in the balance.

The Finance Ministry all but confirmed that it will immediately go ahead with the decision to award licences to the three successful bidders. "In the next couple of days the final outcome should be known," said Finance Minister Bodi Chunnanon, who reiterated that the Cabinet yesterday acknowledged his ministry's authority to determine which groups should win the new bank licences.

In another interview, Bodi, who admitted that he had been under political pressure and said he will take it "as far as I can", said he will give the investigating committee two weeks to do its job.

The Cabinet's resolution, made after a five-hour debate, also empowered the Finance Ministry to decide if two more licences should be put up for bid. Bodi was noncommittal on the issue, saying his ministry will take several factors into account, including whether the three new banks will strengthen Thailand's financial system and its competitiveness, before making a decision.

"If the three new banks make us stronger and more competitive, no more licences will be given," the finance minister said.

He acknowledged the Cabinet's decision to investigate the bribery claims, which, however, he played down.

Emphasising that a government screening committee had done its job thoroughly and carefully, Bodi suggested the probe will not affect the process of granting licences to the winning bidders unless investigators came up with strong evidence of irregularities.

Even if the investigation committee reported that Chaloe's allegation had grounds, Bodi said the final decision on whether to hand out the licences will still rest with his ministry.

Emerging from the meeting, Chaloe said he had done his best and vowed to cooperate with the investigating panel. But he declined to say if he will stop making the kind of moves that have rattled the coalition's stability.

"I can't say if I will make any new moves tomorrow (today) or two days later. If you want to know more about the Cabinet resolution, see me at Parliament tomorrow (today)," Chaloe said. He added that the Cabinet decision meant the Finance Ministry must take full responsibility for the consequences of granting the three licences.

At their party meeting yesterday, angry Chat Thai MPs labelled Chaloe an "extortionist" and discussed a signature campaign to pressure Banhan to remove the minister.

"Our letter will not demand Chaloe's expulsion, but it will ask the prime minister if it is appropriate to let this minister remain in the Cabinet after he has seriously damaged the government's reputation with groundless accusations and extortionist behaviour," said Danairit Watcharaphon, a Chat Thai executive.

Another key party member, Prayut Siriphanit, confirmed that many Chat Thai MPs were "feeling bad" toward Chaloe. "Our leaders don't want this controversy to drag on but they can't prevent us from voicing our opinions. We will talk to the prime minister at our first opportunity," he said.

Banhan said yesterday he had "reprimanded" Chaloe over his "disrespectful" means of criticising him. "He should have spoken his mind at Cabinet meetings. He should have respected others," the prime minister said.

Chaloe last week alleged that Bt [baht] 750 million was being offered or already paid for each of the three new licenses, and demanded that the prime minister resign to take responsibility.

However, the serious allegation turned out to be questionable after other leaders of the seven-party coalition rallied behind the premier. After an emergency coalition meeting on Sunday, Chaloe seemed to soften his stand, saying he would not be able to provide "receipts"

to back up the bribery claim and praised Banhan for being democratic enough to take his criticism.

Chaloe and Chawalit Yongchaiyut, a deputy prime minister, have backed the two losers—led by First City Investment and the War Veterans Organisation, respectively. Both are expected to be able to rejoin the bidding process if new bids are called for.

According to the source, Bodi asked the Cabinet for a clear-cut endorsement, but his attempt was unsuccessful as Chawalit's proposal was generally accepted. Bodi was, however, backed up by PM's Office Minister Piyanat Watcharaphon (Chat Thai) and Industry Minister Chaiwat Sinsuwong (Phalang Tham), who both said a delay would further erode public and foreign confidence in the country's financial policy.

Deputy Interior Minister Sudarat Keyuraphan (Phalang Tham) asked Chaloe during the meeting to reveal evidence of the alleged bribery, the source said. Chaloe insisted bribery took place but said that only "low-level officials" received the money.

The investigating panel is to be chaired by Thian Charoenwatthana, chairman of the Counter Corruption Commission, and its members comprised of the Bank of Thailand governor, the deputy attorney general, a deputy police director general and the secretary-general of the commission.

Thailand: Phalang Tham Party Withdrawal Decision 'Unanimous'

BK1408071496 Bangkok Radio Thailand Network in Thai 0530 GMT 14 Aug 96

[FBIS Translated Text] The Phalang Tham Party has submitted a letter to the prime minister to inform him of its decision to withdraw from the coalition Government.

Police Lieutenant Colonel Thaksin Chinnawat, deputy prime minister and leader of the Phalang Tham Party, distributed photostat copies of the withdrawal letter to reporters at the Parliament at about noon today.

The letter states: According to a resolution adopted by its executive committee, the Phalang Tham Party has thoroughly considered that the current situation is not conducive nor suitable for the Phalang Tham Party to continue its administrative work with the Government. The party should perform legislative duty only, which will be more beneficial to the public. The Phalang Tham Party therefore requests to withdraw from the Government, to be in effect as of 14 August. However, the Phalang Tham Party, confirms that it will still support the Government for the smooth passage of a draft expense budget bill for the fiscal 1997.

Pol Lt Gen Thaksin gave reporters reasons for the withdrawal that the Party has reviewed its duty and decided it will perform legislative duty only.

[Begin Thaksin recording] The Phalang Tham Party has reviewed its duty and saw that it is time that the party must switch its role to legislative work only. The party therefore made a unanimous decision to withdraw from the Government. [end recording]

Thailand: Banhan Appeals to Phalang Tham To Explain Withdrawal

BK1408133896 Bangkok Thai Color Television Channel 9 in Thai 1200 GMT 14 Aug 96

[FBIS Translated Text] Following the official announcement of Phalang Tham Party's withdrawal from the government, leading cores of the six remaining coalition parties today held a meeting at the National Assembly. Deputy Prime Minister Samak Suntharawat from the Prachakon Thai Party, who was assigned by the prime minister to inform the mass media about the outcome of the meeting, said that the withdrawal of Phalang Tham Party from the government was an unexpected and regrettable incident for everyone.

[Begin Samak recording] At any event, I would like to inform you that the government will continue to administer the country with its 209 votes in the House. The prime minister will probably reshuffle his cabinet in the near future. Originally, the prime minister also planned a new cabinet line-up. The reshuffle will be made at an appropriate time in the near future, not as late as November. We want to convey both our regards and regret to the leader of Phalang Tham Party. Our political cooperation was good. He should not have made such a decision. [end recording]

Meanwhile, Prime Minister Banhan Sinlapa-acha reaffirmed that the government, which now comprises six parties, will continue to do its work and he will not resign. He also appealed to the Phalang Tham Party to think of the joint responsibility in connection with the pending passage of the draft budget bill, the amendment of Article 211 of the Constitution, and the upcoming no-confidence debate. He said:

[Begin Banhan recording] We will face a no-confidence motion in the next few days. We must share the responsibility. After that, we can discuss what should be done. I want to convey this rationale to them for consideration. They cannot suddenly withdraw. In politics, nobody does that. They must give reasons for wanting to leave the government. Why must they leave now? Is it not better that they wait until the problems or crises for which we are jointly responsible are over? [end recording]

Thailand: Supreme Commander Denies 'Irregularities' in Arms Deal

BK1408041696 Bangkok THE NATION in English 14 Aug 96 p A2

[Unattributed report]

[FBIS Transcribed Text] Supreme Commander Gen. Wirot Saengsanit yesterday denied any irregularities were involved in the countertrade purchase of 300 armoured personnel carriers (APCs) from Giat Industries of France.

Democrat MP Alongkon Phalabut, an opposition member of the House committee scrutinizing the budget bill, had requested a reply from Defence Minister Chawalit Yongchaiyut about several alleged irregularities in the [Thai Baht] Bt5 billion deal.

Among the issues submitted for clarification included the unauthorized use of this year's budget as a downpayment for the planned purchase scheduled for next year, the signing of a countertrade agreement ahead of Cabinet approval, and the sub-standard quality of many technical specifications.

Although Chawalit has yet to issue a formal reply to Alongkon, Wirot said that the allegations were groundless.

Wirot has dismissed the downpayment accusation, saying there was no way he could spend money which has not been allocated in the military's budget.

Wirot also said that since the countertrade arrangement was entirely the responsibility of the Commerce Ministry, the opposition MP should seek answers from the ministry instead.

The Commerce Ministry's foreign trade department last Tuesday signed a contract with the representative of the manufacturer of the APCs to partially finance the purchase with a Bt1.5 billion countertrade deal, and the defence contractor agreed to market Thai commodities in new markets.

The supreme commander also said that the specifications of the APCs were strictly in accordance with the Army's requirements. Commenting on speculation that the new APCs could not be equipped with mortars, the supreme commander said the Army had not specified that they be deployed on the vehicles.

Thailand: Editorial Urges System for Military Promotions

*BK1408050796 Bangkok BANGKOK POST
in English 14 Aug 96 p 10*

[Editorial: "Reshuffle Must Focus on Merit"]

[FBIS Transcribed Text] Supreme Commander Gen. Wirot Saengsanit had an important appointment yesterday with the commanders of the three armed forces to finalise the reshuffle lists involving high and middle-ranking officers. As has been the case all along, the spotlight will focus on who will emerge the new army commander-in-chief [C-in-C].

Despite pledges of non-interference in the military reshuffle by Prime Minister Banhan Sinlapa-acha, Defence Minister Chawalit Yongchaiyut and the Supreme Commander himself, no military observers in their right mind believe the three retiring commanders will have a completely free hand in making decisions, especially regarding their successors. Gen. Wirot has indicated clearly that he will not meddle with the lists so long as they are done properly. What does that mean exactly? Observers have interpreted that he will interfere if he feels some changes do not suit his wishes.

Until 1992 when politicians began exerting their will over the annual military shake-up, especially regarding a few important positions, the commanders of each force appeared to have had the power to prepare the reshuffle list virtually without outside interference. The defence minister and supreme commander were just the rubber stamps. But things have changed. A case in point was the personal intervention by Gen. Chawalit who, last year, appointed Gen. Pramon Phalasin, the army C-in-C, instead of Gen. Phaibun Emphan, then Army C-in-C Gen. Wimon Wongwanit's choice.

Certainly, most decision-making military officers would love to have a freer hand with the least outside interference, especially from politicians. This is understandable. But, again, they should take a close look at their own promotion practice — whether it is fair and transparent and based on merit. Obviously, it is not. There have been several cases in the past which clearly show that nepotism and trust has a greater say in determining the career advancement of some officers than seniority, capability, resourcefulness and honesty.

Quite a few officers belonging to Chulachomklao Royal Military Academy's Class 7 have not advanced and are outranked by their juniors simply because some of their disgraceful classmates were involved in coup attempts, particularly the one in early 1980 against then prime minister Prem Tinsulanon. On the other hand, several Class 5 officers were promoted to

key positions. They include former army chiefs Gen. Suchinda Kraprayun, Gen. Itsaraphong Nunphakdi and Gen. Wimon Wongwanit.

It is a well known fact in military circles that class affiliation, trust and loyalty, and the right connections play an important role in influencing decisions by a commander. The unusually fast rise of Gen. Chainarong Nuphakdi, who was once groomed by the now defunct NPKC [National Peacekeeping Council] as the future commander-in-chief, offers a glaring example of how nepotism has a greater say in career advancement for a handful of officers.

On the other hand, some officers who meet the basic criteria and are well qualified for promotion are shunned for one simple yet ridiculous reason—"they are not one of us".

A system should be in place where promotions are strictly determined by set criteria which incorporate merit, capability, seniority, resourcefulness and honesty. Collective decision-making by a panel consisting of the supreme commander, the chiefs of the three armed forces or even the defence minister should also be instituted to ensure fairness and transparency. Short of such a system, politicians will always find an excuse to justify their interference in the annual military reshuffle.

Thailand: New Secretary of Foreign Affairs Ministry Approved

*BK1408033596 Bangkok THE NATION in English
14 Aug 96 p A6*

[FBIS Transcribed Text] Sarot Chawanawirat, the current deputy permanent secretary in the Foreign Affairs Ministry, will be promoted to permanent secretary to replace M.R. [Mom Ratchawong — royal title] Thep Thewakun, who is retiring.

The Cabinet yesterday approved the ministry's nomination of Sarot to replace M.R. Thep when the latter steps down at the end of next month.

Sarot, 54, started his career at the ministry after receiving his masters degree from the University of California, Los Angeles.

He was the director general of the now-defunct Political Department from 1990 to 1992, of the Association of Southeast Asian Nations Department from 1988 to 1990 and of the Department of Information from 1986 to 1988. He also served as ambassador to Singapore from 1983 to 1986.

Thailand: Cabinet Approves Granting of Three New Bank Licenses

*BK1408050196 Bangkok THE NATION in English
14 Aug 96 p B1*

[Unattributed report]

[FBIS Transcribed Text] The Finance Ministry yesterday was given Cabinet approval to grant three new bank licenses on condition that a committee supervised by Deputy Prime Minister Amnuai Wirawan must find no evidence to support recent bribery allegations.

Allegations were raised by Justice Minister Chaloeun Yubamrung that a [Thai baht] Bt750-million bribe for each bank licence was involved in the application-screening process. The committee will complete its investigation within the next two to three weeks, according to Amnat Chanawong, deputy government spokesman.

Several bankers contacted by THE NATION yesterday commented that Prime Minister Banhan Sinlapa-acha is distancing himself from trouble by having the Cabinet approve the licences and having Amnuai handle the corruption case.

"This could lead Amnuai into a tough position because the investigation is difficult, even for a highly-experienced committee," said a banker from Siam Commercial Bank.

According to the bankers, the government has politicized the matter and coupled with the alleged corruption, has depleted foreign investors' confidence in the Thai financial market and the entire economy. They noted that the situation is actually not much worse as foreign investors already have no hopes for the Banhan government.

The bankers said they are not surprised to learn of the allegation.

According to brokerage houses including Jardine Fleming Thanakorn Securities and HG Asia, the allegation has hurt the government itself and foreigners now pay less attention to politics than they do to economic problems.

A Bangkok Bank source said Chaloeun's allegation could be interpreted as an attempt to make a good bargain.

A source from Citibank said he is quite surprised that the allegation was raised by a leader of a coalition party and this suggests two different objectives. First, while the opposition paid no attention to the case, Chaloeun wanted to steal the attention to share the benefits allegedly gained by the Chat Thai Party. Second,

Chaloeun raised the case because the opposition has benefited from the winning consortia.

An informed banking source added that the allegation has tarnished the three winners and they want to re-apply and establish new enterprises with the new government. The delay will also help the new banks achieve higher profitability now that the financial market is in an unfavourable condition.

According to the Cabinet's ruling, the Finance Ministry can go ahead with the issuing of licences to three consortia recommended by the 11-person screening committee, chaired by M.R. [Mom Ratchawong — royal title] Chatumongkhon Sonakun, permanent secretary for finance. The three groups are separately led by Italian-Thai Development Plc, General Finance & Securities Plc and MBK Property Development Plc.

The other three applications came from groups led by First City Investment Plc, Sitca Investment & Securities Plc, and the War Veterans Organizations. They were dropped because they did not meet the screening criteria.

The Cabinet spent three hours debating the Finance Ministry proposal. It was intended to be the last item on its agenda, but found its way to the top of the agenda for discussion.

Issuing more bank licences to local operators is one of six major plans included in the financial industry master which covers 1995 to 2000. The finance minister was yesterday ordered by the Cabinet to speed up the implementation of the plan which includes opening new foreign bank branches.

Though three of the applications have been dropped, it is likely there will soon be a second round of applications given the comment by Public Health Minister Sano Thianthong on Feb 28 last year that there will be five more banks.

Thailand: Amnuai 'Scapegoat' for Economic Problems

*BK1408091296 Bangkok SIAM RAT SAPDA WICHAN
in Thai 11-17 Aug 96 p 20*

[Unattributed Article: "Amnuai To Be Scapegoat in Upcoming No- Confidence Debate"]

[FBIS Translated Text] After the meeting among leaders of the seven coalition parties on 5 August on the country's economic crisis, Prime Minister Banhan Sinlapa-acha disclosed that he has assigned and given full authority to Deputy Prime Minister Amnuai Wirawan to solve these problems. The prime minister reiterated he was not pressured into this decision by any member of the deputy prime minister's Nam Thai Party, adding that

the current situation is not as serious as many people believed it to be.

Political analysts noted that the new responsibility placed on Amnuai's shoulders by the prime minister was merely a ploy to cushion the expected verbal bombardment by many articulate opposition MP's at a no-confidence debate scheduled for late August.

An observer said: "Prime Minister Banhan has been using this method of creating illusions to give the impression that all problems he has come across have been solved. He had leading cores from coalition parties lined up to disprove rifts within his government. He sacked former finance minister Surakiat Sathianthai and Ekkamon Khiriwat, secretary general of the Securities Exchange Commission to ease public outcry over the country's economic setbacks and the plunge in the stock market respectively. Amnuai recent assignment to tackle the problematic economy is the same old trick, and one which is unlikely to yield good results."

As deputy prime minister in charge of economic affairs, Amnuai is obviously responsible for the country's economic well being. So far, he does not seem to have played any active role in solving its economic problems. This is because he has to wait for the prime minister's final decision on almost every matter. Moreover, the ministries which handle economic affairs are under the control of the Chat Thai Party, not his Nam Thai Party. Subsequently, the economic measures are not well planned. Other economic ministers are also not keen to give him a helping hand.

The observer added: "For example, Amnuai, as deputy prime minister in charge of economic affairs, recently objected to Commerce Minister Chuchip Hansawat's proposal to grant licenses to 66 new insurance companies. This is because he feared excessive competition, which could affect insurance buyers. However, the commerce minister later resubmitted the request for 35 companies to be licensed. The government has so far been indecisive and has allowed the matter to drag on. This is how the government deals with economic issues."

It is enough to say that Amnuai has so far been treated as a rubber stamp with practically no power to do anything. It should be noted that this time Banhan himself has signed the document stating that Amnuai is to be given full powers to solve the recession. However, in practice, it is believed that Amnuai still has to wait for Banhan's green light before taking any action.

In this connection, Banhan is merely attempting to paint a beautiful picture of the economy to ease the people's anxiety. He is exploiting Amnuai's reputation and credibility at home and abroad.

In any event, Banhan has managed to push his responsibility over the national economy onto Amnuai's shoulders.

In particular, the country's economic predicament will be one of the issues to be raised by the opposition at the no-confidence debate scheduled for late August or early September after the passage of the 1997 budget bill. Amnuai, therefore, will have to answer all the questions and be grilled during the house cross-examination session.

Whatever, Banhan must be admired for his shrewdness in staging this political ploy.

However, the fact is that the current economic crisis is not an easy riddle to solve as Banhan thinks. Should he have given full powers to Amnuai since the beginning of his administration, the problem would not be as serious as it is now. To cede full powers one year after is probably too late and will not be any good as long as Banhan is still unable to keep the economic ministers well united.

Vietnam

SRV-Laos Border Issue Officials Meet

BK1308160396 Hanoi VNA in English
1514 GMT 13 Aug 96

[FBIS Transcribed Text] Hanoi VNA August 13 — The sixth session on the Vietnam-Lao border issue was held in Vientiane from Aug. 7-12. It was attended by Tran Cong Truc who headed Vietnam's government border committee delegation, and Phonsavat Bupha, deputy foreign minister and head of Lao's border committee delegation.

Both sides reviewed the results of the implementation of the minutes of the fifth session held in August last year between the two countries, and discussed measures to implement the agreement on the Vietnam-Laos border regulations and to make a map of the two countries' common border. They also agreed on the orientation to solve the outstanding issues in the 1996-97 period.

The two sides also touched on the amendment and supplement of the agreement on border regulations signed on March 1990 between the two countries.

The Vietnamese delegates were received yesterday by Deputy Prime Minister Khamphoui Keobualapha who said that the Vietnam-Laos border would be a border of peace and friendship forever, thus enhancing the special and comprehensive friendship and solidarity between the peoples, parties, and Governments of Vietnam and Laos.

SRV: Table of Contents of Party Journal No. 4, Feb 96

963E0018A Hanoi TAP CHI CONG SAN
in Vietnamese Feb 96 No 4, p 1

[Table of Contents of Party Journal No. 4, Feb 96]

[FBIS Translated Text]

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SRV National Assembly Official Condemns Capitalism

963E0018C Hanoi TAP CHI CONG SAN
in Vietnamese Feb 96 No 4, pp 7-11

[Article by Bui Ngoc Thanh, MA, vice chairman of the National Assembly's Social Affairs Committee: "There Is No Other Choice"]

[FBIS Translated Text] There is a question that is often asked: "Aside from the paths that we already know, namely the capitalist, democratic socialist, and socialist ones, is there any other path that can lead our country toward achieving prosperity for the people, making the nation powerful, and building an equitable and civilized society?" I would like to contribute some ideas about this question.

Concerning capitalism, it seems that almost everybody has an idea what it is like. However, with regard to democratic socialism, perhaps there still are people who do not know it really well. For this reason, before discussing which path to choose, I would like to say a few words about the essence of democratic socialism. By 1848-1849, the concept of "democratic socialism" had appeared in the struggle movement of the bourgeoisie against feudalism in Germany. However, not until 1869 did the proponents of this concept succeeded in founding a "socialist party," which was eventually changed into the "democratic socialist party" in 1875. During the 70's of the 19th century, when Marxism spread and exerted increasingly broader influence in many European countries such as Austria, Germany, the Netherlands, France, Denmark, Spain, Switzerland, Belgium, Sweden, Norway..., the "democratic socialism" concept

also became a trend in the international workers movement, and democratic socialist parties came into being in many countries. On 14 July 1889, the Second International was founded; in its early stage, this organization made significant contributions to the international workers movement. However, the history of the Second International was one of struggle between two tendencies: the reformist and revolutionary. In several periods, the Marxist revolutionary tendency had recorded important successes, but it had never been able to stamp out the reformist and opportunistic tendency. At most, followers of democratic socialism advocated transforming capitalism into socialism through negotiation and parliamentary struggle. But, ultimately, they totally leant toward capitalism, and even "lent a helping hand to the enemy." In West European countries, these organizations voted for the budgets of bourgeois governments, enabling them to start World War I in 1914. Democratic socialist party leaders completely abandoned the position of the working class and switched to the bourgeois position, supported the war, and defended the capitalist system. Lenin had exposed that betrayal. He led the steadfast revolutionaries and seized power in Russia in 1917. After the conclusion of World War I, the Third International was founded in 1919; in many countries, the democratic socialist parties were split up, one component continuing to follow the reformist and opportunistic road, another setting up communist parties.

The democratic socialist parties continued to exist, but they harbored within themselves many complex factors, with their reformist stand continuing to be maintained. Advocating renovation of capitalism, they plodded on through many ups and downs until the end of World War II, when they were subject to another division. After a number of East European countries advanced to socialism, the democratic socialist parties there underwent dramatic changes, with one component going abroad to set up parties in exile and the remaining component merging with communist parties; however, members of the former democratic socialist parties continued to hold on to their reformist viewpoints. For this reason, within the East European communist parties, there always existed two components and two tendencies. This was a hidden danger lurking inside those parties, and as we have already known, disaster struck in the East European socialist states and the Soviet Union between 1989 and 1991, causing the disintegration of the communist parties there. Democratic socialists are now striving to integrate into the capitalist path. In its 18 July 1995 issue, the Russian paper GLASNOST wrote: "The anticommunist, anti-Soviet goal of the 'democrats' is not bringing about public happiness and social development, but only establishing their own dictatorial power and appropriate public property."

On the basis of the historical events cited above, we can assert that up to now there is essentially no difference between socialism and capitalism.

The remaining question is, between the socialist and capitalist paths, which one should we choose? This question has been answered since the Communist Party of Vietnam [CPV] came into being; and it has been affirmed time and again that there is no other choice than the socialist path, of which Marxism-Leninism and Ho Chi Minh Thought are the foundations.

Our goal is "to achieve prosperity for the people, make the nation powerful, and build an equitable, civilized society." This is our strategic objective in which four factors must always go together and must not be isolated or divided up. In each period, we must reach a higher level and must exert ourselves tenaciously for a long time if these factors are to be perfected.

Some people have misunderstood that *prosperity, power, and civilization* have been achieved by capitalism for a long time, and that it is too backward for us to set forth those aims now. I would like to point out that *that is not so*. It is true that many capitalist countries are affluent, but all their *people are definitely not rich*, only a *handful of people are rich*. Let me cite here some familiar old and new "faces." The 220-year-old United States is still called by some the world's richest country, but one feels obliged to ask, "To whom does the United State's prosperity belong, when its 30 million black citizens are totally being left to their own devices, when there were up to 37.5 million Americans living below the poverty line in 1993, an increase of 12.5 millions over 1970?"¹ Today, "20 percent of the U.S. population who are rich own 85 percent of the national wealth, while the remaining 80 percent of the population share 15 percent of that wealth. To cope with such an increasing number of needy people, the U.S. Government has had to assign to some churches the task of offering a weekly charity-style free meal to the poor."²

Obviously, under capitalism, the concept of "*rich people*" never exists, there is only the concept of "*rich persons*", and that is where capitalism stops. That is because if the "rich persons" concept is broadened into that of "rich people," there will be no more capitalism. Exactly as Marx had pointed out, capitalists cannot enrich themselves on the back of each other; they can only enrich themselves by resorting to the "art" of exploiting the laboring people; the more modern capitalist countries are, the more sophisticated this "art" of exploitation becomes.

What about the *civilization* of capitalism? This civilization must be considered at least in two respects. On the

one hand, in strict accordance with the Marxist-Leninist doctrine of mankind's evolution, no one can deny the following: Mankind has gone through five forms of society (primeval commune, slave appropriation, feudalism, capitalism, and socialism). The next form of society is necessarily always more civilized and progressive than the previous one. On the other hand, when we say that capitalist civilization is higher than those of previous societies, we should remember that capitalist society itself has (uncorrectable) inherent defects caused by its own nature. A society that uses exploitation of surplus value and appropriation of profits as a prerequisite for its existence will inevitably breed inequality, injustice, and cruelty. Marx exposed the cruel character of capitalist exploitation, which is based on the fact that the laborer is condemned to total economic dependence; capitalist methods of exploitation are extremely sophisticated and cunning; and capitalist thirst for exploitation is unquenchable and unbounded. Marx said that capitalism intensely dislikes the lack of profit or too little profit the same way nature abhors a vacuum. Capitalism is game when there is adequate profit; if a 10 percent profit is promised, one can order capitalism around anywhere; if a 20 percent profit is guaranteed, capitalism is daring and fearless; if a 100 percent profit is ensured, capitalism is prepared to trample upon all rules and regulations of mankind; and if a 300 percent profit is assured, capitalism will not stop at any crime, even at the risk of being hanged. For a bourgeois, there is no difference between producing milk for children and making guns to destroy life; what really matters is which is more profitable to produce.

That was capitalist society in the mid-19th century. How about capitalist society in the late 20th century? We can see right away that injustice and cruelty have continued to increase dramatically. Let us listen to what the French say about U.S. civilization: "Crime is increasing at a horrifying rate in the United States, with a murder taking place every 20 minutes and 25,000 people being killed every year. There are 14.5 million inveterate drug addicts. Homosexuality and single mothers are prevalent, terrifying white America. Homeless hooligans in the cities indulge in all kinds of modern-day bad habits (drug addiction, drunkenness, violence, incest). Two of every three black families have fatherless children..., and children beating up parents is a common occurrence in the majority of black families. If a white storekeeper killed a black schoolgirl, he would be acquitted, but if a black woman hit a dog, she would be charged with cruelty to animals and jailed for three months. No less than 35 percent of the U.S. population have absolutely no social insurance, when the medical cost of childbirth is \$6,000, and if caesarean section and five days of hospitalization are

required, the cost is \$30,000. The U.S. Government does nothing to stop drug addiction; moreover, it has intentionally allowed free circulation of these harmful substances and guns so that the black community can destroy itself. This is a meticulously devised form of genocide, a final solution coldly set forth by the leaders of white America. Wendell Foster, a black resident of New York, said: 'The U.S. legal system is characterized by racism; this is a system that does not recognize any right of black Americans. The United States is a violent country. The Los Angeles tragedy shocked all the people... racial discrimination is a cancer that is destroying us. Let us dispel the myth that the United States is the land of human rights and freedom; let us stop kidding ourselves, otherwise, tomorrow could be much worse.' U.S. democracy is nothing more than an unbearable form of dictatorship imposed by a majority of clever politicians...."³

Obviously, once the shiny wrappings are removed, one can see the loathsome nakedness of modern capitalist civilization. In a society where civilization and affluence belong to a handful of people only, a society crippled by injuries and disease, then the power of such a society must be very limited indeed in terms of inner strength and duration.

Is such a society worth being admired and chosen by us? *No, we will never, ever step onto that road.*

But, somebody has argued that socialism, the path Vietnam has opted for, has collapsed right in its birthplace, and that the market mechanism our country is implementing has not helped stamp out all social evils and exploitation.

Yes, these are two issues that need further clarification. *The first issue is that* although the East European socialist countries and the Soviet Union have collapsed, we still persist in following the socialist path. In truth, it was the socialist models in those countries that have collapsed, not socialism itself. The Marxist-Leninist doctrine of building socialism never says there is only one socialist model, that is, while *the objective* of socialism is determined, there is no single *model* of and single *path* to socialism. At issue is which model to choose and which steps to take to achieve that objective.

The following analogy may seem trivial, but we agree with it because it is totally objective: A mathematical problem may be solved in several ways; some ways are superfluous, slow, and even fruitless; but there are ways that are precise and yield accurate solutions. Inaccurately solving a mathematical problem does not mean that mathematics is wrong and does not exist in reality; on the contrary, mathematics has existed since ancient times and has constantly developed.

Solving a problem with multiple variables concerning the building of a new society is a much more complicated, difficult, and a colossal task. It is possible that some countries may have been unable to solve this problem, or have incorrectly solved certain parts of this problem, and this is a failure that the world calls "collapse." The Marxist-Leninist doctrine teaches us that the path leading from one society to another is not a straight line from A to B, but a winding, zigzagging, spiral road, and that history will repeat itself at a higher level. The bourgeois revolution, which aimed to build a road from feudalism to capitalism, was also governed by that law. The British bourgeois revolution which toppled the feudalist regime succeeded for the first time in 1649; it eventually collapsed, had to be carried out again 40 years later, in 1688-1689, then failed one more time, and was launched again 143 years after that, in 1832, and only then did it finally take hold. The French bourgeois revolution was no less difficult. Triumphant for the first time in 1789, it was subsequently plunged into a long period of chaos, then won back victory 41 years later, but lasted only 18 years. In 1848, it failed again and would not take hold until 23 years later, in 1871. Coming into being late, the German bourgeois revolution did learn from its predecessors' experiences but was still unable to avoid setbacks. Launched in 1840, it foundered in 1848, and the country was divided into 38 parts. Not until 70 years later, in late 1918, when the monarchy was overthrown and a republican regime was set up, did capitalism become fully established in Germany....

Thus, from 1640, when the English bourgeoisie launched its struggle against King Charles I, to 1918, when German capitalism took hold, world bourgeois revolution had engaged in 278-year-long journey through history. There is absolutely no such thing as a new society coming into being and taking hold overnight. As for feudal society and slave-appropriation society, it took them thousands of years or longer to become established.

However, the first lesson in making revolution that everyone knows very well is that while the bourgeois and feudal revolutions could consider their missions as accomplished once they had overthrown the administration of the old society (that preceded it) and had set up a new administration, the power of the proletariat established by the socialist revolution is only the dawn of a country. This is because the ultimate goal of the bourgeois and feudal revolutions was to serve a group of rulers; therefore, in the final analysis, those revolutions were only the change of one form of exploitation to another form that was more diabolical and sophisticated. That was also the final stop of the bourgeois revolution. As for the socialist revolution, it has a broader objec-

tive, aiming to serve the interests of the people (not those of just a group of people); therefore, although the revolutionary stage of toppling the old power and establishing the new people's power was extremely arduous and full of sacrifices and losses, it was only an important breakthrough stage; in other words, it had only completed the national liberation revolution. The next heavy task—achieving the objective of the socialist revolution—is a stage replete with stormy developments. If we lack confidence and steadfastness and do not know how to choose appropriate models and solutions, it will not be easy for us to achieve total success. Here, there is the possibility that a country might do very well at the power-seizing stage by winning a very resounding victory; however, at the stage of defending power and building a new society according to the objective of the socialist revolution, it is prone to make many mistakes, even becomes disoriented, pursuing wrong strategies and tactics, committing errors in organizing "construction," or worse still, "turning around at midway" to betray their ancestors and the preceding generations. For this reason, the generations leading the building of socialism—the helmsmen—must absolutely be true Marxists who are loyal to the party and people, fully capable, and extremely steadfast in any circumstances.

The second issue is the market mechanism and its seamy side. The CPV is fully aware of this unsavory aspect and remains in control of its actions. On the one hand, it clearly realizes the strengths of the market mechanism, a moving force capable of promoting the development of and accelerating the socialization of productive forces, stimulating the heightening of productivity, quality, and efficiency in production and business, and so forth. At the same time, the party has an accurate knowledge of its inherent defects, namely spontaneity, the practice of paying attention to the needs of those who can pay for them only while ignoring the common needs of society, fast division between the rich and the poor, the emergence of the devilish influence of money, social vices, and so forth. It is precisely for this reason that our party has unequivocally stated that...there must be socialist orientation, macroeconomic regulation, state management, and intensified inspection and control efforts in all fields of activity. The government has implemented numerous national programs such as public health care and protection, job creation, hunger and poverty relief, family planning, social vices control and suppression, HIV/AIDS (human immunodeficiency virus/acquired immunodeficiency syndrome) control, and other programs.... The common objective is minimize the seamy aspects of the market mechanism, including the negative practices, which must be eliminated. Those are the steps toward justice and civiliza-

tion. The CPV advocates matching successful promotion of the economic development with effective solution of social problems and realizing the right of social justice in each step of economic growth. Let me add, parenthetically, that in a number of capitalist countries, some but not all negative aspects of a market economy are checked and done away with. For example, HIV/AIDS, the disease of the century, is contained, but prostitution is not curbed; relief is provided for the poor but exploitation of surplus value is not renounced; violence in society is targeted for suppression, but wide circulation of many types of weapons is allowed; modern cultural and information facilities and audio and visual aids are provided, but showing contempt for learning and knowledge has become a way of life, and so forth.

With regard to the continued existence of exploitation in the period of a transition to socialism, that is a reality, but this phenomenon should be correctly assessed.

To begin with, this is not a new problem. Some 75 years ago, Lenin had very specifically said that, theoretically, there is undoubtedly a definite period of transition between capitalism and communism. That period necessarily includes the special features or characteristics of those two socioeconomic structures. Does this mean that the new system contains the components and factors of both capitalism and socialism? Yes, nobody can deny that fact. So, in the period of transition, the existence of several sectors in the economy is an objective necessity. Among these sectors is the private capitalist sector operating under different forms (domestic private capitalism, foreign capitalism, joint venture between domestic and foreign capitalism, joint venture between foreign capitalism and domestic economic sectors...). As long as there is the existence of economic sectors other than the state economy, especially the existence of the capitalist sector, then there certainly is exploitation.

Secondly, despite the above-cited facts, in this case exploitation is no longer a "system," and no longer fully exists. If exploitation is a "full-fledged system" under capitalism, here it has become only "fragments," with the largest one belonging to the private capitalist economic sector and the "splinters" existing in a number of other economic sectors. Moreover, all economic sectors are obliged to operate according to laws, including very important ones (such as the Corporate Law, the Law on Private Businesses, the Law on Investment, the Labor Law...), which regulate the operations of those sectors. Therefore, exploitation remains only within definite limits (it can no longer be a boundless yearning). If we have to make a comparison, we can say that under capitalism, exploitation *tends to expand*, whereas in the period of transition to socialism it is a *gradually ending process*.

Thus, the market mechanism we are applying is only a means, not an aim. While applying it, we strive to make effective use of its positive aspects and limit or eliminate its seamy aspects. This is the art of administration and management.

From the foregoing analyses, though still not quite sufficient, we can affirm that for us, there can be other choice than the socialist path.

Footnotes

1. According to state-level research project KX 08-04 entitled: "Rural Social Policy."
2. Documents of Vietnamese living in the United States.
3. See article "America's Fears" published in the mid-December 1993 issue of the French magazine L'EVENEMENT DU JEUDI.

SRV Minister Ho Te Discusses National Financial Policy

963E0018D Hanoi TAP CHI CONG SAN
in Vietnamese Feb 96 No 4, pp 37-41

[Article by Finance Minister Ho Te: "National Financial Policy in 1996-2000"]

[FBIS Translated Text]

Objective—Viewpoint

National financial policy is an important component of economic policy, a combination of various financial and monetary policies and measures aimed at effectively exploiting, mobilizing, and using financial resources to serve the cause of socioeconomic development, national security and defense, macroeconomic environmental stabilization, and enhancement of national financial potential, thereby gradually transforming Vietnam into a prosperous and powerful country and building an equitable and civilized society.

National financial policy covers a very broad sphere and includes many complex contents that take on a general political and socioeconomic significance. Vietnam's national financial policy for the 1996-2000 period has the following **principal objectives**:

1. Build a stable and strong national financial system with the aim of mobilizing, distributing, and economically and effectively using domestic and foreign financial resources to ensure a high, stable, and sustained economic growth rate and, at the same time, to meet the demands of national defense and security and of the strategy of human development and to achieve national industrialization and modernization.

2. Ensure development of the controlling and supervisory role of state finance, turning finance into an instrument of the state in exercising control over and administering macro management of the economy through the effective use of various financial policies, laws, and instruments.

3. Build a healthy macroeconomic environment and promote a radical shift of the economy to the state-managed market mechanism in conformity with Vietnam's conditions and characteristics.

To achieve the aforementioned objectives, national financial policy must embody the following **five viewpoints**:

1. Ensure the maximum exploitation of domestic financial resources in conjunction with mobilizing external resources, considering domestic financial sources as decisive and the external ones as important; gradually increase the proportion of domestic financial sources to build a healthy, stable, and steady national financial system.

2. Link renovation of the financial mechanism with renovation of the economic mechanism as a whole, at the same time promote the comprehensive, far-reaching economic renovation process, bringing into full play the roles of financial and monetary instruments in the economy, and carrying out economic readjustments and supervision at the macro level.

3. National financial policy must be formulated on the basis of ensuring economic relations and major balances of the economy.

4. National financial policy must be geared toward the objective of developing and diversifying various kinds of capital markets with the participation of different economic sectors. This policy must be implemented in conformity with an open-door economy which directly connects domestic with international markets and which will eventually integrate the former with the latter.

5. National financial policy must be managed by law. The socialist legal system must be strengthened, and the principles of economy and efficiency must be applied in financial management.

Main Contents of the National Financial Policy for the 1996-2000 Period

1. Capital mobilization and financial market development policy

Proceeding from the imperative demand for capital necessary for promoting a high, stable, and sustained economic growth rate in the period of national industrialization and modernization, in mobilizing capital we must

exploit to the fullest the *domestic and foreign* sources of capital to promptly meet the demand of the state budget and various economic sectors for investment capital. Fully imbued with the principle that domestic capital is decisive and foreign capital is important, we should be flexible in handling the specific relations between domestic and foreign capital with the aim of ensuring achievement of the objectives and tasks of socioeconomic development.

Concerning domestic capital mobilization: In the coming years, we should quickly increase the proportion of savings set aside for investment, considering economization to be a national policy. Measures should be adopted to promote economy in production and in consumption in all state sectors, businesses, and households to concentrate capital for production and business development through implementation of various policies on taxation, investment support, and abolishment of state subsidies and loss compensation. We should stabilize the macroeconomic environment, roll back and keep inflation in check, build a full-fledged legal system, and consistently implement the policy of developing a multisectoral economy. We should diversify the forms of capital mobilization, especially the forms of bond and stock at the governmental, local, and business levels; broaden and develop intermediary financial organizations such as the system of financial companies, insurance businesses, investment, development, mutual, pension, social security, and insurance funds. Along with short-term capital mobilization, we should increase the proportion of medium- and long-term capital mobilization, including the issuance of national bonds to obtain capital for investment in some infrastructures incapable of capital recovery.

Concerning foreign capital mobilization: Of the foreign sources of capital, we should concentrate on attracting foreign direct investment (FDI) capital, because this source not only provides capital for economic development but also creates opportunities for direct importation of foreign techniques and technology, provides employment for local workers, and turns out products for consumption and export. The issue being raised now is that we must rapidly and gradually increase the proportion of capital contributed by the Vietnamese side. It is necessary to attach special importance to improving the investment environment and adopt a policy aimed at attracting foreign investors to the domains and areas in which we want them to invest. We should make lists of the domains in which foreign direct investment are to be encouraged in order to speed up the transformation of the economic structure along the line of industrialization and modernization. In particular, we should take one step further in improving the agricultural produc-

tion structure along the line of specialization to promote export. We should focus on exploiting official development aid (ODA), but should complete preparations at an early date to quickly receive this source of capital. ODA capital should first of all be concentrated in infrastructure building and improvement projects as well as environmental protection and social projects. In addition, part of this capital may be set aside to finance production and business development projects by granting loans to local businesses on the basis of ensuring that the loans are used in such a way as to produce economic results and that borrowers can recover their capital to pay their debts. In issuing international bonds (which is essentially a form of high-interest *commercial loan*), we should carefully consider the borrowing conditions and payment capability; we should refrain from seeking commercial loans to invest in the infrastructure and nonprofit projects.

Concerning financial market building and development:

The financial market should be strongly developed in conformity with the scale and demands of the economy to contribute to increasing its capital exchange capability, shorten the cycle of capital flow, and save on expenditures. With regard to the money market, we should continue to refine the instruments for financial policy management such as interest rate and rate of exchange. We must advance toward implementing the principles that the long-term interest rate must be higher than the short-term rate in both bank deposits and bank loans, and that the real interest rate (excluding the depreciation of the currency) applied to the local currency must be increasingly closer to the interest rate applied to foreign currency. We must stabilize the exchange rate and purchasing power of the Vietnamese dong compared with foreign currency. The exchange-rate fixing mechanism must be based on market supply and demand relationship and must be capable of encouraging exports and strictly controlling imports. We must build a capital market and gradually set up a security market; we must develop the capital market by using several different forms of capital-procurement activities to attract medium-and long-term deposits in banks and financial companies in order to provide loans for investment at the market interest rate. We must have procedures, personnel, and necessary conditions prepared beforehand to build a security market step by step.

2. Tax policy

To meet the demand for investment capital in order to achieve the objective of a high and stable economic growth rate, the amount of money to be mobilized from the taxes and fees paid to the state budget should be maintained at 20 to 22 percent of the GDP (as it is at present). In promulgating new tax policies,

we must take into consideration the total amount of capital to be mobilized and the adjustments of some tax rates, raising some and lowering some of them without causing a reduction of the proportion of capital to be mobilized. With regard to the state economic sector, the most important measure to increase revenue is quickly to raise production and business efficiency (at present the contribution from the state economic sector's profits is equal to about only 30 percent of the budget revenue). Concerning other economic sectors, along with encouraging production and business development, we must pay utmost attention to strictly managing the sources of revenue and expanding and fostering these sources, broadening tax collection management, ensuring full collection in accordance with business incomes, preventing shortfalls in tax collection, and combating tax evasion and tax fraud (at present the private economic sector's contributions account for only 15 percent of the budget revenue).

Concerning tax policy revision, this time around in carrying out reform we should advance to gradually separating the factors of social policy from tax policy, and tax policy must be uniformly applied to all products and commodities, regardless of the user's identity and the purpose for which the products are used, so as to cut down on tax reduction and exemption, to expand the tax base, and to increase the number of taxpayers. We must renovate our tax policy to make it simple, stable, and fair; to encourage lawful business activities; to ensure a rational mobilization of tax money; to promote savings; and to create proper conditions for businesses to accumulate and concentrate capital for investment and development. On this basis, we will foster and expand our sources of revenue. We should promptly readjust import tax in conformity with the export-import policy, provide rational protection for domestic production, and regulate consumption with the aim of increasing revenue for the state budget, and create conditions for encouraging the transfer of technology and renovation of technology in the country, expanding export markets, and attracting foreign investment. At the same time, tax policy must be in accord with Vietnam's joining ASEAN (AFTA) [ASEAN Free Trade Area], APEC [Asia-Pacific Economic Cooperation], and WTO [World Trade Organization]. Value-added tax should be levied with caution and under strict direction on the basis of our taking the initiative to create essential conditions for the application of accounting, vouchers, and invoices in buying and selling products and services. At the same time, we should make preparations for studying and promulgating individual income tax to replace the income tax for people with high income. We should renovate the tax collection management mechanism and switch to the system under

which taxpayers file tax returns by themselves and pay taxes directly to the state treasury, while tax agencies concentrate on providing tax guidance and control; a tax enforcement agency should be set up to ensure strict compliance with tax laws. We should intensify tax collection inspection, control, and supervision; and curb tax evasion and tax fraud and cross-border, river, and sea trafficking to maintain order and discipline in business.

3. State budget

In the state budget, all domestic socioeconomic resources and foreign resources must be mobilized in a rational manner and to the maximum to serve the strategic task of socioeconomic development. We must satisfactorily handle the relations between resource mobilization and strong resources creation to provide proper conditions for the state to carry out the strategic tasks on one side, and ensuring capital accumulation in businesses and the population on the other side to enable them to expand and develop production and business and accumulate more and more capital for the country. In the years ahead, the state budget must be able to meet the demand for a higher rate of increase in expenditures for development investment than the regular rate of increase in spending; domestic revenue must be able to meet the demand of regular expenditures and debt servicing, but part of it must be set aside for use in development investment. State budget expenditures in development investment must be chiefly reserved for the socioeconomic infrastructure, but the government may use part of that sum to invest in a number of important projects by providing capital in the form of preferential loans, or to contribute capital to various businesses. An adequate portion of state budget expenditures must be set aside for public health care, education, culture..., and various national targeted programs, thereby ensuring harmonious coordination between economic growth and implementation of the human development strategy, resolving pressing social problems, and meeting the demands of national defense, security, and state management.

For the economy to develop in a stable and steady manner, annual state budget expenditures for development investment must reach the average level of about 8 percent of the GDP (nearly one-third of the investment of all society), from 4 percent to 5 percent of which are to be derived from regular expense-revenue surpluses (accumulated from the state budget), and from 3 percent to 4 percent from the ODA source and borrowings from the people. In the years ahead, the state budget should concentrate on investing in infrastructure construction, taking one step further in overcoming the backwardness and deficiencies of the socioeconomic infrastruc-

ture, and investing on a priority basis in implementing the human development strategy (education, health care...) and other social policies. At the same time, using investment capital provided by the state budget, we should carry out the policy of mobilizing the resources of the people and various socioeconomic organizations to contribute to the nation's common cause, thereby satisfactorily implementing the "state-and-people-working-together" policy. The state budget should be used in accordance with the principle of paring down regular expenses to save money for development investment. We should socialize a number of regular expenditures such as the ones for education and training, scientific and technological development, and environmental protection. We should consolidate and develop the social security and health insurance systems, gradually separating them from the state budget. We should also gradually increase the proportion of state budget expenditures for education and training to about 4 percent of the GDP by the year 2000.

Concerning budgetary decentralization: We should renovate the decentralization of budgetary expenditures and receipts on the basis of decentralizing the implementation of socioeconomic tasks, assigning well-defined disbursing and collecting duties, and stabilizing the proportion of revenue to be redistributed among different budgetary levels for each specific period of time. The central budget occupies a very important position and plays the leading role in concentrating major resources for fulfilling national-level important tasks. At the same time, it must ensure the initiative of the local budgets and encourage localities to bring into full play their dynamism and creativity in exploiting their existing potentialities to successfully carry out socioeconomic tasks in their areas. The contents of the disbursing duties and the sources of revenue of various administrative levels must be clearly defined. We should stabilize the sources of revenue and the disbursing duties of localities for periods lasting from three to five years, thereby creating proper conditions for these localities to take the initiative in formulating plans and deciding on their local budgets. We should also encourage localities to exploit all existing potentialities with the aim of fostering sources of revenue, ensuring a positive balance between expenditures and receipts, and at the same time making increasingly substantial contributions to the central government (at present the level of contribution is determined on a yearly basis). The state budget must be balanced in a steady and positive manner, with all necessary precautionary measures taken; financial reserves must be increased; and state budget overexpenditure must be reduced and kept at under 5 percent of the GDP. We should refrain from issuing banknotes, seeking foreign commercial loans, or bor-

rowing money at high interest rates in the country on a short-term basis to make up for budget deficits. We should make up for budget deficits by borrowing money on a medium- and long-term basis in the country and seeking preferential loans from other countries only.

4. Business financial policy

Businesses are the foundations of the economy, therefore, our financial policy must continue to encourage and stimulate businesses to accumulate more capital, expand investment, and heighten efficiency in using capital with the aim of achieving increasingly higher national income, augmenting the resources of the national financial system, and contributing to promoting the development of production along the line of national industrialization and modernization. To achieve that goal, we should:

—Encourage businesses to mobilize capital of the population and domestic and foreign credit organizations to finance their own production and business activities. The state should encourage businesses to borrow money from other countries for production and business development, but these businesses are obligated to pay their debts; the state will assist by adopting a preferential tax and quick amortization policy to ensure a capital recovery cycle in accord with the debt payment period. State subsidies in terms of capital for state-owned businesses should be abolished. At the same time, we should broaden and diversify various channels and forms of capital mobilization for businesses, in particular the forms of share certificate and business bond.

—Continue to restructure and rearrange the state business sector, overcome its state of fragmentation, and enhance the efficiency and strength of the state economic sector. Diversify the forms of ownership and widely use the form of state capitalism. Combine and simultaneously apply both methods of equitization, namely: *selling shares* to recover investment capital for the state, and *issuing share certificates* to mobilize more capital and create conditions for businesses to expand and develop production and business activities.

—Strongly build and develop those businesses operating in the financial and monetary domain, namely commercial banks, insurance and financial companies, financial services, and so forth, to ensure a smooth, unhindered flow of capital in all society, thereby creating the premises for building a capital and security market.

All forms of state business organizations as well as all other forms of business must abide by all legal regulations concerning business operation organization and obligations to the state; concerning accounting and auditing procedures and annual public reporting of one's

financial status; and concerning financial inspection and control procedures (except in the case of some businesses providing special services relating to national secrets and national defense and security).

5. External financial policy

The purpose of external financial policy is to attract more foreign capital to help transform the economic structure, achieve national industrialization and modernization, and contribute to building an open economy and linking the domestic market with the foreign market while encouraging domestic production, quickly increasing production capacity, and improving the balance of trade and international balance of payments. In the coming years, in renovating our external financial policy we should focus on the foreign loans and foreign debt payment policy. The state should concentrate its efforts on borrowing capital from international financial and monetary companies and foreign governments to invest in infrastructure projects and key economic projects. We must establish a foreign-currency reserves fund (especially in hard currencies) in conformity with the structure of the borrowed foreign currencies to ensure debt payment capability and to guard against risks that may arise from fluctuations in the rate of exchange. At the same time, with regard to debts incurred by the state, each year the state budget must provide funds for payment of both interest and principal. With regard to commercial loans, we should repay these debts through *the London Club*; as for the money borrowed from foreign governments, we should continue holding talks to settle these debts in their entirety.

National financial policy is a major policy which affects all socioeconomic domains. To satisfactorily implement this policy, the key point now is that we must enhance the operational capability and efficiency of the state machinery in managing the national financial system. We must vigorously strengthen the managerial efficiency of the government, people's committees at all levels, and financial organs to ensure concentration of an important portion of our financial resources to achieve the major objectives of socioeconomic development and national defense. At the same time, we should ensure a uniform management of the national financial system according to the law. A point worth paying attention to is that we should promptly restore financial order and discipline, first of all in the state economic sector by means of various economic, legal, and administrative measures combined with the struggle against corruption and negative practices. At the same time, we must sternly deal with all violations of financial laws in the economy and in society. On the other hand, it is necessary to renovate and enhance the leadership capability of the party from the central to the grass-

roots level. We must see to it that all the party and people clearly realize the important position of national financial policy in the current renovation undertaking, especially in the period of national industrialization and modernization, thereby creating unanimity of views and inspire determination to implement the financial policy at all levels and in all sectors.

SRV: 'Reluctant' Party Member on Preparations for Party Congress

963E0018E Hanoi TAP CHI CONG SAN
in Vietnamese Feb 96 No 4, pp 53-54

[Article by Hoang Tien: "Lesson for the Party Congress 'Season'"]

[FBIS Translated Text] It was the first time B called on me in quite a while. To tell you the truth, although we have been close friends since our college days, we have had few opportunities for heart-to-heart talks, partly because we have been busy with our work and, on the other hand, because both of us have become "the master" of a small family with a spouse and two children.

I was sure that there was a reason for B's visit today. I hurriedly brewed a nice pot of tea for him, but he said, waving his hand: "Don't bother! Don't bother! It's warm, so this kind of drink is more refreshing." Having said that, B pulled from a shopping bag five cans of Halida beer (the pride of local brew) and a package of dried cuttlefish that he had grilled in advance. Seeing all that, I asked:

"There is something important again, right?"

"No need to hurry! Let's have a few drinks first. Take some of this fermented drink and you'll talk more freely."

B opened the beer cans, poured two glassfuls, and shredded the grilled cuttlefish. We drank while reminiscing about our college days and informing each other of what had become of our classmates: who are dead, who are still living; who have advanced in their careers, who have suffered setbacks; who have enjoyed happiness, who have been unlucky....

While engaging in idle talks, I still waited impatiently for B to disclose the real reason for his seeing me today. Reading my mind, B went straight to the topic:

"I've just been elected secretary of my agency's party committee."

I was completely dumbfounded by B's revelation. How could have B changed and progressed so fast? Many of our classmates have become department deputy director or director, vice minister, provincial or city

party committee member; some have even been elected to the party Central Committee and appointed minister. That is nothing out of the ordinary. But in B's case, I must say that his election was unusual. In our class, B was known to everyone as a taciturn, reticent student who was interested in nothing except study, and had very few friends and no taste for socializing. He led an almost eccentric life, refusing to participate in any cultural, artistic, or sporting activities. We often jokingly called him a "white guardsman." Even when it came to joining the youth union, B was not admitted until his fourth year in college, and only as a result of my utmost efforts. To be accurate, I must say that B did not fill out his application for membership in the Vietnam Young Workers Union (now the Ho Chi Minh Communist Youth Union) until his fourth year in college, after I had persistently motivated and persuaded him to do so. Also because of my persistent persuasion that in our fourth year in college, on the eve of the presentation of our graduation dissertations, the executive committee of our school's youth union agreed to admit him. Even so, one day after his admission, B still said: "I only applied for the youth union membership because of my high regard for you."

After graduation, our class dispersed in all directions. I and B were sent to work in a big city, where I served in a party organ and B in a cultural agency.

B did not change after leaving college. He devoted himself to his special branch of activity and seemed to deliberately stay out of politics. That was why B was not admitted into the party until 1986, after 20 years of public service.

One day after his admission, B also called at my home as he did today. "I applied for party membership because of my high regard for the party chapter secretary; and now I realize how stupid I was," he confided in the same tone as he had once told me 20 years before.

But, this time, only seven years after being admitted into the party, he has become secretary of a major party organization. Could it be that...after joining the party he has achieved real progress and made great leaps forward? Believing that having no confidence in and being suspicious of one's friends is a bad habit, I raised my glass in a sincere toast to B:

"Congratulations!"

B also raised his glass, emptied it at a gulp, and calmly said:

"Drink a toast to me, if you like. But don't bother about congratulating me, because, to tell you the truth, I was elected against my will, I was 'kidnapped' and forced to serve as party committee secretary."

"Why?" I asked in surprise.

"It was like this," B explained. "For some time now my agency has split into two factions. For the sake of convenience, let's call one the radical and the other the conservative. The two have fought fiercely against each other, contending for every seat in the party committee and for every position in the management apparatus. Although the struggle has lasted for several years, the outcome is still undecided because the two sides are well-matched. As a result of the infighting, the agency has been plunged into a utterly chaotic state and become factionally divided. The opportunists have a field day fishing in troubled waters, one day siding with the radicals, the next day leaning toward the conservatives. It doesn't make sense at all. As for the masses, they are helpless, fed up. Perhaps you're going to ask me which side I am on, right? Let me tell you that I stay right in the middle, siding with neither, associating with neither, praising neither, and blaming neither. I just keep doing my job in my special field, craving for no position, not interested in any power. That way, I am loved by few, but I am also disliked and hated by none. The young people in my agency like me a lot, and they insist on calling me '*president of the nonaligned movement*.' Come to think of it, they are right. Those youths turned out to be a clever lot, after all! "The most critical time in the fighting campaign between the radical and conservative factions was the days when preparations were being made for the congress of the agency's party organization. The faction that won the most seats in the party committee would be the winner and would dominate the agency's movement. Therefore, both factions went all out to win the masses' support. However, the balance of power still appeared to be well maintained, therefore, it was not easy for one faction to lick the other. Perhaps because of that confusing state of affairs, most party members have become discouraged. They wanted to back a '*third force*.' When the two contending factions realized that they were not strong enough to shove each other aside, they were prepared to throw their support behind a neutral faction, resolving not to let '*power fall into the adversary's hands*.' So, quite unexpectedly, all the 10 leading chapters of the party organizations nominated the '*president of the nonaligned movement*' to the party committee. On the day the party organization congress was held, I asked to withdraw from the list of nominees, but the congress presidium rejected my request. The final outcome was that I was elected with the highest percentage of vote (98 percent). The day the new party committee met, the committee members unanimously elected me secretary. I'm between the devil and the deep sea: it's impossible for me to back out, but I can't in all conscience stay on, because I haven't done party work for a single day

in my life. I'm at a loss what to do, that's why I had to spend some money on beer and cuttlefish and brought them here today in the hope of getting some advice from you, a party-building specialist."

"Are you serious?" I asked.

"How could I be otherwise? I am now in the perilous situation of a man riding on a tiger. Moreover, I've thought it out; anyway, I'm still a Communist party member."

Hearing those words from B, I realized that he was being sincere. At that moment, a very strange feeling surged in me: it was a mixture of joy, sadness, and worry. I was happy because I saw that my friend had really become committed, was taking on more responsibility in life, and no longer chose to stay out of politics. But I was sad because of the thought that, if all basic party organizations were like the one at B's agency, then where would our party be heading for? And I was also worried to see that B has to lead a party organization that is too inept and disorganized. Utterly inexperienced in party work, would B be able to put his party organization on its feet again?

SRV: Dang Xuan Ky Discusses Vietnam's Path to Socialism

963E0018B Hanoi TAP CHI CONG SAN
in Vietnamese Feb 96 No 4, pp 3-6

[Article by Dang Xuan Ky, professor, director of Institute for Research on Marxism-Leninism and Ho Chi Minh Thought: "Marching Firmly on the Socialist Path"]

[FBIS Translated Text] In the 80's, when the building of socialism in all socialist countries was plunged into stagnation and crisis, our party still asserted: *Our country's path of advance can be none other than the socialist path*. The key issue is how to correctly perceive socialism and overcome past mistakes in order to extricate socialism from crisis and enable it to continue recording increasingly greater victories. We must renovate our way of thinking, find for ourselves suitable forms, measures, and steps to take the building of socialism forward, in conformity with the objective laws and our country's specific historical conditions. That is a mandate of life, a matter of life and death.

When the socialist regimes in East Europe and the Soviet Union collapsed, the platform of the Communist Party of Vietnam [CPV] remained that of an entire nation determined to build a country in transition to socialism. At a time when world socialism went into a decline and many people and countries were wavering, backtracking, shunning and denying socialism, such an

assertion demonstrated the firm political stand of our party and people in the face of unprecedented trials.

The upheavals in the Soviet Union and East Europe affected many people in our country, causing confusion, worries, skepticism, and vacillation vis-a-vis socialism. Worse still, some people even betrayed the belief, ideal, and path they had followed for almost all their lives. They distorted and blackened history and tarnished the sacrifices made by millions of people of many successive generations. They repented and asked the party to do likewise. They demanded that the party renounce its leadership role in national construction and leave that task to them and those who had been totally absent when our people waged the war of resistance against foreign aggressors, even to those who had opposed the war of resistance and the people many years ago. They lavishly extolled capitalism and democratic socialism, praising what many people in the West had condemned and found to be hopelessly deadlocked. They even threatened our party: If the CPV did not give up its leadership role and forsake socialism, the United States would not lift the embargo and normalize diplomatic relations, other countries would not do business with us, Vietnam would collapse, the people would not accept the party and socialism, and at that time they would "side with the people" against the regime in order to start all over again.

The great achievements of renovation over the past years have been the strongest refutation of those "prophecies" which are essentially the pipe dreams of a handful of people who have betrayed the party's and people's cause. Despite the fact that these people have issued one "statement" after another, have penned one article after another, have written fairly voluminous books, have screamed at the top of their voices in the Western mass media, or have surreptitiously printed documents for distribution among a number of people in the country, we have "kept marching on our own path," the socialist-oriented path of national construction has been further asserted, life has continued to change for the better with each passing day, and the people have put ever greater confidence in the party and the chosen socialist path. The forces sponsoring those detractors have not dared to comply with their wishes or that to which they have begged them. No matter what "development" they wish to foster by colluding with each other, the stability of the party, the vigilance of the people, and the ardent attachment of all patriotic Vietnamese to their renovation undertaking are creating an unshakable strength. Renovation is for the purpose of achieving prosperity for the people, making the nation powerful, and building an equitable and civilized society. Renovation is aimed at

enabling us to fully attain the objectives of national independence and socialism. Renovation is intended for our country to advance increasingly faster. Vietnam's achievements in renovation are truly contributions to the world revolutionary movement; for this reason, our renovation undertaking is being followed, applauded, and welcomed by the whole world.

With regard to the objective of *national independence*, to date even those who have clung to the coattails of imperialism and colonialism have not dared to openly oppose it. They have had to cover up their true faces with sham independence and by embellishing a kind of imaginary independence. Mendacity is always the true nature of the dishonest, henchmen, and traitors. Some have truculently declared that they have laid bare the "true colors" of this or that person and of the party. But once they have taken the path of defamation and fact distortion, the "true colors" they intend to expose to the public view turn out to be their own, that is, the phonies. As for *socialism*, why is it that it is an objective inseparably linked with national independence and chosen by Ho Chi Minh as early as the 1920's of this century? Or, as Comrade Pham Van Dong once put it, why is it that *national independence* and *socialism* are the twin banners, twin objectives of the Vietnamese nation? Why is it that those twin objectives were set at a time when socialism had just been partly achieved in the Soviet Union, and why is it that they are still reaffirmed when socialism has gone into a temporary decline as at present? Could it be that the choice of socialism made 70 years ago was one based on an insufficient understanding of socialism? And could it be that the present reaffirmation of socialism is prompted by conservatism and dogmatism, by a failure to correct identified mistakes, or by the party's reluctance to relinquish its leadership role? Could it be that this reaffirmation of socialism is just a charade, while socialism has in fact been abandoned, as hostile forces and traitors have claimed in recent years?

This is completely untrue.

History has provided very clear answers. Because of limitations regarding perception and an ideological stand, all Vietnamese patriots of the earlier generations and those contemporary with Ho Chi Minh could not come to Marxism-Leninism and socialism; despite their lifelong sacrifices, they were unable to find the way to national salvation and had to be resigned to failure. Phan Boi Chau and Phan Chu Trinh had to admit that fact. As for Ho Chi Minh, owing to his long involvement in the workers and national liberation movements as well as his special endowments, he had surged ahead, proceeding to Marxism-Leninism and socialism from patriotism and finding in that revolutionary, scientific

doctrine the way to national liberation. He had found out which revolution was "not complete" and should be avoided and which one was "complete" and should be followed. Since then, the Vietnamese revolution has followed the path of proletarian revolution by carrying out the national people's democratic revolution and advancing to the socialist revolution under the leadership of the Communist Party, which is a party of the working class but faithfully represents not only the interests of the working class and laboring people but also those of the entire Vietnamese nation. Only by following that road could the Vietnamese revolution be "complete," that is, capable of achieving the cause of completely and absolutely liberating the nation, society, and man, and definitively eliminating repression, exploitation, and injustice in this country.

Nothing is more precious than independence and freedom. National independence is inseparably linked with socialism. That is the essence of Ho Chi Minh Thought. According to President Ho, if the country is independent but the people do not enjoy happiness and freedom, then that independence is meaningless. Therefore, once we have won back national independence, we must definitely advance to socialism. The more successful the building of socialism is, the more secure national independence will become. According to the Marxist-Leninist doctrine, socialism is a social system under which exploitation of man by man and anything that fosters it are eradicated; it is a system that brings about real freedom and happiness for man. Hitherto there has been no other sociopolitical doctrine that has been able to raise the issue and discover the objective laws of the motion of history to find a solution to the problem of man's liberation and social development as the Marxist-Leninist doctrine has. As a doctrine, scientific socialism symbolizes the dreams and aspirations of all mankind longing for a society of universal concord where all men are brothers and where *liberty, equality, and altruism* are no longer an hollow slogan but a fact of life. Scientific socialism is a doctrine that has become the theoretical basis for and methodology of mankind's struggle for the building of such a society.

Ho Chi Minh did not have to read all the books written about Marxism-Leninism before he embraced it, nor did he have to carry out really thoroughgoing research into socialism before he put his faith in that ideology. He reposed belief in Marxism-Leninism and socialism because only the doctrine of Marx and Lenin raised the issue of supporting the colonial peoples' struggle and mapped out the path that nations would have to travel to achieve independence, something he had not found in any other doctrine. The more revolutionary activities he carried out, the deeper he plunged into

his research on Marxism-Leninism and socialism. Until the last days of his life, he still asserted that only socialism and communism could achieve total and absolute emancipation of nations, society, and man.

Following in Ho Chi Minh's footsteps, all patriotic Vietnamese have come to Marxism-Leninism and socialism from patriotism; moreover, the majority of them have come to socialism and Marxism-Leninism through Ho Chi Minh. A thorough understanding of Marxism-Leninism and socialism does not require that one should know all the books written by Marx and Lenin by heart; the main thing is that one should be fully imbued with the revolutionary, scientific, dialectical, and humanist spirit as well as the stand and viewpoint of that doctrine, and should know how to creatively apply and develop it in the new historical conditions. That fact was proven by Ho Chi Minh's lifelong revolutionary activities.

Coming into being in the wake of the Russian October Revolution (1917), realistic socialism has existed ever since; and no matter how serious its mistakes and shortcomings have been, it has recorded achievements of enormous historical and epochal significance, a fact that no distortion and slander can obliterate. The collapse of the socialist system in East European countries and the Soviet Union was not the collapse of scientific socialism as a doctrine; the downfall was caused by the mistakes committed for years by specific leaders and specific parties which plunged realistic socialism into crisis. Moreover, traitors from within had acted in collusion with hostile forces from without to aggravate that crisis to the point of bringing down the entire social system that had been built through decades.

Proceeding from the concrete historical, practical, and developmental viewpoints, our party has made an objective, scientific analysis of events, has looked squarely at the reality of what has been done and what has not, has pointed to the true causes of its shortcomings, has worked out measures to overcome them, and has resolutely carried out renovation in a principled manner to prevent alienation from the socialist orientation while drawing conclusions from reality to supplement the theory of socialism. That was a requirement that Ho Chi Minh had posed for a long time for Vietnamese revolutionaries. That was also a very great success that we have recorded in the past 10 years of renovation.

If we want to protect things that are outdated and contrary to the laws of life, we are doomed to failure no matter how hard we try. Reality is the criterion of truth. The reality of renovation has now extricated our country from crisis, and the basic tasks of the initial stage of the transitional period have been accomplished. Our country is entering a promising, new period of

development, industrialization, and modernization. We will never renounce what belongs to the essence of socialism; we will only get rid of what is unsuitable or alien to that essence.

Building socialism is a long, stupendous undertaking that cannot be accomplished within a short period of time. As clearly pointed out by Lenin, the transitional period is a period in which socialism exists and also a period in which full socialism is still lacking, with socialist and nonsocialist factors intermingling with each other. As the building of socialism advances

further, the socialist factors will steadily increase and the nonsocialist ones or anything contrary to socialism will steadily decrease. That struggle is taking place in the current renovation undertaking. This dialectical development confirms that the path to socialism taken by our country is a path conforming to the laws. The objectives of fostering prosperity for the people, making the country powerful, and building an equitable and civilized society are being achieved step by step with increasingly greater accomplishments.

Australia

Australia: Downer 'Reassures' PRC Ambassador Regarding Ties

BK1408035196 Sydney THE SYDNEY MORNING HERALD in English 14 Aug 96

[Report by Craig Sheehan — received via Internet]

[FBIS Transcribed Text] The Minister for Foreign Affairs, Mr Downer, has privately reassured the Chinese Ambassador, Mr Hua Junduo, that the Coalition Government is not downgrading bilateral relations or supporting military "containment" of the communist giant. Sources said the ambassador welcomed the assurances when Mr Downer met him on Monday night. News of the meeting came amid indications yesterday that the Prime Minister, Mr Howard, is likely to meet Tibet's exiled Dalai Lama when he visits Australia next month, despite opposition from Beijing.

Australian Greens Senator Dr Bob Brown said Mr Howard had told him he would meet the Dalai Lama if he was in Australia at the time of his visit.

A spokesman for the Prime Minister would say only that Mr Howard would consider such a meeting if his program allowed.

Mr Hua was told the Dalai Lama's visit would not impinge on Australia's policy of accepting Tibet was part of China.

Mr Downer is due to go to China later this month for a four-day official visit.

His talks with the ambassador follow disagreements on the scrapping of some aid projects and official Chinese complaints over an upcoming trip by the Primary Industries Minister, Mr Anderson, to Taiwan.

Mr Downer stressed at the meeting that Mr Anderson's visit would be "unofficial", was no different to similar visits by former Australian Labor Ministers during recent years, and did not alter Australia's stance of not affording Taiwan diplomatic recognition.

In the meeting with Mr Hua, Mr Downer said there had been some misinterpretation of Australia's recent decision to increase defence exercises with the U.S. as being part of moves to strategically contain China.

The author of a recent column in China's PEOPLE'S DAILY, Mr Li Xuejiang [name as published], has said comments he made on this issue had been misconstrued as criticism of the Howard Government.

In a letter in THE AUSTRALIAN newspaper, Mr Li said his column had been mainly directed at the motives of U.S. politicians and strategists who regarded China as a threat.

Australia: BRA Accuses PNG Defense Force of Chemical Weapon Use

BK1308114996 Melbourne Radio Australia in English 0630 GMT 13 Aug 96

[From the "International Report" program]

[FBIS Transcribed Excerpt] A series of allegations that deadly use of poisonous phosphorous bombs on Bougainville have been leveled at the Papua New Guinea (PNG) Defense Force by Sam Kauona, commander of the Bougainville Revolutionary Army (BRA) which is fighting for independence in Bougainville. Mr. Kauona's statement says the chemical weapons were used by the PNG Defense Force during its recent Operation High Speed II on the island. With more on these allegations, here is the BRA representative in Australia, Moses Havini.

[Begin Havini recording] Sam Kauona has alleged that during the launching of the Operation High Speed II, a lot of phosphorous bombs were used over large areas, especially in central and south Bougainville, and they were fired both from helicopters as well as from ground launchers. There are villages around the (Minetelinli) area, southwest of the Panguna mine where a lot of these bombs were dropped and we received reports from those three villages that the people there have been badly affected by the white phosphorous bomb which is a chemical bomb in effect.

The other effect from the white phosphorous bomb has been the dying of farm animals, such as chickens; domestic animals, such as dogs and cats. And also the people in central Bougainville have reported high incidents in treatable ailments, such as respiratory diseases, dysenteries, sore eyes, extreme itchiness, and in fact if human beings come into direct contact with the explosion from a phosphorous bomb a human being can die immediately from it. [passage omitted] [end recording]

New Zealand

New Zealand: Book Uncovers World of Electronic Spying

MS1408105296 London INDEPENDENT in English 14 Aug 96 p 2

[Report by Duncan Campbell: "Electronic Spying Gleans World's 'Top Level Secrets'"]

[FBIS Transcribed Text] A new book published in New Zealand today is likely to irritate Western intelligence chiefs, with its detailed account of the global electronic intelligence network being used by the English-speaking

nations to spy on the world's communications — from top-level diplomatic and military messages to babble on the Internet.

The book, */Secret Power/*, [words between slant lines published in italics], by political campaigner Nicky Hager, is based on interviews with past and present intelligence employees who have worked on the top secret new system, called Echelon. The system is used by Britain's electronic spy agency GCHQ [Government Communications Headquarters], as well as by its American, Australian and Canadian counterparts.

To avoid the risks of another */Spycatcher/* [words between slant lines published in italics] legal action by the British government or by the New Zealand government on its behalf, the publishers of */Secret Power/* [words between slant lines published in italics] maintained a news black-out about their plans until last night, when copies were released in New Zealand cities.

The New Zealand whistle-blowers describe Echelon as an automated international surveillance system, which integrates secret monitoring stations across the globe using the intelligence agencies' own network of satellites and listening bases. At each base, computers known as Echelon Dictionaries automatically search through intercepted messages according to target lists of subjects and people.

The significance of the new system, says Hager, is that before Echelon different countries and different stations knew what was being intercepted and to whom it was being sent. Now, even security cleared operators may not know what raw information is being sent out, or to whom.

The Dictionary computers hold lists of different categories of intercept available on the system, identified by code. The targets in the South Pacific include Japanese commercial and diplomatic messages as well as regional communications and the operations of Russian fishing boats and Antarctic bases.

According to operators, Dictionary search results appear "almost instantaneously".

By 1992, according to a former national security agency chief, the overall international system was processing 2 million intercepted messages every hour. An unnamed New Zealand Echelon operator says that while the Americans have access to everything collected by its allies, they do not share all their information. "The [intelligence] agencies can all apply for numbers of each other's Dictionaries. The hardest to deal with are the Americans. [There are] more hoops to jump through, unless it is in their interest in which case they'll do it for you."

The operatives say that Dictionary computers have been installed throughout the world at listening stations and intelligence agency headquarters. GCHQ's London Dictionary computers scan telex and data messages passing through British Telecom's international network.

In a foreword to the book, David Lange, who was Prime Minister of New Zealand from 1984-89, says that much of the book's information has come as a surprise to him, despite having taken a decision which allowed the Echelon project to go ahead in New Zealand.

"An astonishing number of people," Mr Lange says, had told the author "things that I as Prime Minister in charge of the intelligence services was never told... It is an outrage that I and other ministers were told so little. This raises the question of to whom those concerned saw themselves ultimately answerable."

Mr Lange admits that he grudgingly authorised the construction of a New Zealand satellite monitoring station in 1984 but says he had no idea that thereby "we had been committed to an international integrated electronic network".

The importance of the new Pacific stations linking into the Echelon system, says Hager, was that after the late 1980s, Britain and America could no longer listen to all the world's communications solely from stations on their own territories.

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